

**CITY OF
ASHLAND**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For year ended June 30, 2006

Prepared by the Administrative Services Department
Lee Tuneberg, Administrative Services and Finance Director



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INTRODUCTORY SECTION





December 19, 2006

Re: City of Ashland Comprehensive Annual Financial Report

To the Citizens of the City of Ashland:

The Comprehensive Annual Financial Report of the City of Ashland, for the fiscal year ended June 30, 2006, is hereby submitted as mandated by state statutes. These statutes require that the City of Ashland issue an annual report on its financial position and activity and that this report be audited by an independent firm of certified public accountants licensed by the State of Oregon to conduct municipal audits. This report must be published within six months of the close of each fiscal year and responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material aspects and is reported in a manner designed to fairly present the financial position and the results of operations of the various funds, account groups and component unit of the City of Ashland. All disclosures necessary to enable the reader to gain an understanding of the City of Ashland's activities have been included.

This is the fourth year that the City has prepared the Comprehensive Annual Financial Report (CAFR) to meet the requirements of the Governmental Accounting Standards Board Statement Number 34, basic financial statements and management's discussion and analysis for state and local governments (GASBS 34). GASBS 34 established a new reporting model that the City has reported in five sections:

1. Introductory section- includes this transmittal letter, the organizational chart of the City of Ashland, a list of the City's principal officials, and other material.
2. Financial section- includes the auditor's report, management's discussion and analysis, the basic financial statements, notes, the combining and individual fund financial statements, and supplementary information.
3. Statistical section- includes financial and demographic information, generally presented on a multi-year basis and updated with additional schedules and information required by GASBS 44 last year.
4. Audit Comments and Disclosures section- includes the auditor's required comments mandated by State of Oregon regulations.
5. Government Auditing Standards Compliance section- contains a schedule of the City's federally funded activities and reports on compliance.

The City is required to undergo an audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133. Information related to this audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulation, and a schedule of findings and questioned costs, are included in section five of this report titled "Government Auditing Standards Compliance Reports."

The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion and that the City's financial statements for the year ended June 30, 2006 are presented in conformity with Generally Accepted Accounting Principals (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

The financial reporting entity includes all the funds of the City of Ashland, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The City provides a full range of services which include police protection, fire protection, building inspection, planning services, economic development, social services, senior program, ambulance, electric, cable television and internet access, water, streets, storm drain, wastewater, airport, cemetery, band, parks and recreation activities.

The Parks and Recreation Commission activities are reported as a discretely presented component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements. This emphasizes that it is operated autonomously and accounted for separately from the primary government. It also differentiates its financial position, results of operations and cash flows from those of the primary government.

GOVERNMENTAL STRUCTURE, ECONOMIC CONDITIONS AND OUTLOOK

The City, incorporated in 1874, is located in the southwest part of the state. The City currently has a land area of 6.52 square miles and a population of 20,880. The government has all powers necessary or convenient for the conduct of its municipal affairs, including the power to levy a property tax on both real and personal property located within its boundaries. The City also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

The City operates under the council-administrator form of government. Policymaking and legislative authority are vested in the City Council. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees and hiring the City Administrator and the City Attorney. The City Council consists of a mayor and six-member council. The Mayor, who presides at the council meetings, is elected at-large for a

four-year term. Six council members are elected at-large for four-year staggered terms with three council members elected every two years. Other elected officials are the City Recorder/Treasurer, Municipal Judge, and the five-member Parks and Recreation Commission.

The City Administrator has responsibility for all functions with the exception of the Parks Commission. The City Administrator recommends the appointment or dismissal of department heads (Fire Chief, Police Chief, Public Works Director, Community Development Director, Administrative Services/Finance Director, Electric Director and Information Technology Director). The Mayor, with confirmation of the City Council, appoints the City Administrator, the City Attorney, the departments heads, and the Band Board. The City Administrator is responsible for carrying out the policies and ordinances of the City Council, and overseeing the day-to-day operations of the City.

In addition to the help they receive from their appointed staff and employees, 17 standing advisory boards and commissions, and additional ad hoc committees assist the City Council. Over 130 Ashland citizens serve on these boards and commissions and make a valuable contribution to the City of Ashland.

Ashland currently enjoys a favorable economic environment and local indicators point to continued stability. The City's economic base depends primarily on higher education and tourism. In addition, the U.S. Fish and Wildlife National Forensics Laboratory is located in Ashland. It is the only crime lab in the world dedicated entirely to wildlife and serves both the national and international communities. Ashland's downtown business district has a high occupancy rate with a variety of shops, restaurants, commercial businesses, and financial institutions. The state has a major economic presence in the area in Southern Oregon University (SOU), which is located on a 175 acre campus within the city limits approximately one mile from the city center.

According to the Ashland Chamber of Commerce, Ashland has an employed private sector work force of approximately 7,021 within the City limits. When governments and non-profits beyond the scope of licensing (approximately 28% of the employment base) are included, the total work force is an estimated 9,752. The City of Ashland's Transient Occupancy Tax and Food and Beverage Tax revenue (for all business activities as presented in tables in the Statistical section) reflect increases of 1.7% and 1.6% respectively over the previous year.

In 2005-2006 the City issued \$45 million dollars in building permits, which is an increase of commercial but a decrease in residential permits issued. Seven million more than the average amount of permits issued during the previous five years. Active residential electric customers rose from 9,189 in 2005, to 9,356 in June 30, 2006. This single-year increase of 1.8% is slightly higher than Ashland's steady growth in population of 1.5%. Non-residential accounts grew at .7 %.

The estimated consumer economy is \$228 million according to the 1997 US Economic Census, an increase of 13% over the \$202 million estimated in 1992. Using city tax collection information, visitor accommodations (over \$19 million) and food service (over \$34 million) accounted for 23% of the economy. The success of these aspects can be greatly attributed to tourism generated by cultural attractions, the largest of which is the Oregon Shakespeare Festival Association (OSFA), a nationally renowned theater company presenting eleven plays over a season from February 17 through October 29 to an estimated attendance over 350,000. OSFA employs 5% of the total work force in the City limits, and has an estimated impact on the local economy of over \$100 million based on the 2.9 multiplier provided by the 1997 economic census.

INITIATIVES

The City Council has adopted a Community Values Statement and identified several major goals to meet the service needs of citizens. The goals within the 2005-2006 budget reflect the City's commitment of ensuring that its citizens are able to live and work in an enviable environment. The Community Values Statement is:

"The citizens of Ashland value a city government that helps create an environment within which they are able to live happy and productive lives. This includes a healthy and sustainable environment: and opportunity to acquire the basic necessities of life: a sound infrastructure that meets our common needs for transportation, energy, information and communications, health care, water and waste management: and a variety of social, recreational, business and cultural opportunities.

The citizens want their government to respect our diverse people, natural environment, and rich heritage and culture: and to promote citizen involvement, initiative, innovation, and a strong sense of community."

A few of the 2005-2006 Goals:

Financial Management - The City will be an accountable and effective steward of the public trust and public resources. The City will provide equitable and efficient services to the public through the efficient use of assets and resources.

- Develop performance measures program for all city departments. **Ongoing.**
- Enhance revenue and services from AFN to strengthen its viability. **Ongoing with Council decision to outsource cable television services in FY 2006-2007.**

Citizen participation and involvement - The City recognizes the value of citizen involvement and the wealth of information and resources that the citizens of Ashland possess. The City is committed to a high level of communication with the public.

-
- Continue to help commissions and committees become more effective through resources and training opportunities. **Ongoing.**
 - Consider update of City Charter. **Council is in the process of evaluating proposed changes submitted by the committee formed to review the charter.**

Economic Strategy - The City encourages a variety of economic activities in the City, while continuing to reaffirm the economic goals of Ashland citizens and existing businesses. Economic development in Ashland should serve the purpose of maintaining and improving the local quality of life.

- Produce a working economic development plan. **Ongoing.**

Public Services - The City will provide a full range of public services that meet the needs of existing and future citizens.

- Enhance water supply and conservation to meet targets. **Ongoing.**

Transportation & Transit - To retain Ashland's small-town character while it grows, the City must proactively plan for a transportation system that is integrated into the community and enhances the livability, character and natural environment.

- Improve safety of existing at-grade Railroad crossings. **Ongoing.**
- Improve pedestrian and traffic safety. **Ongoing.**

FINANCIAL INFORMATION

Management is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the City are protected from loss or theft and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurances that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgements by management.

The City's system of internal accounting controls is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition.

As a recipient of federal, state and local financial assistance, the City must also have an adequate internal control structure in place to ensure and document compliance with applicable laws and regulations related to these programs.

This internal control structure is subject to periodic evaluation by management and staff.

As part of the City's single audit, described earlier, tests were made of the government's internal control structure and of its compliance with applicable laws and regulations, including those related to federal financial assistance programs. Although this testing was not sufficient to support an opinion on the City's internal control system or its compliance with laws and regulation related to non-major federal financial assistance programs, the audit for the year ended June 30, 2006, disclosed no material internal control weaknesses or material violations of laws and regulations.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriations budget resolution approved by the City Council. All funds are included in the annual appropriated budget. The annual 2005-2006 budget was prepared on a fund basis with line item detail.

Fiduciary Funds. The City has one active fiduciary fund in 2005-2006. This is the Mt. Ashland Ski Area Agency Fund. The statement included in the financial section reflects only the cash deposited with the city at the time of this report, totaling \$22,165.

Debt Administration. On June 30, 2006, the City had a number of debt issues outstanding. These issues included \$19,780,000 of general obligation bonds, \$4,640,000 in water revenue bonds, \$20,702,256 in loans from the State of Oregon DEQ. The City was well received in the market for recent issuances and maintains an "A2" underlying rating from Moody's Investors' Service. Under current state statutes, only \$18,780,000 of the General Obligation bonds are subject to a legal debt limitation.

Cash Management. Cash temporarily left idle during the year was invested in demand deposits, certificates of deposit, treasury notes, treasury bills, and the State of Oregon Local Government Investment Pool. The City's investment policy objectives are to preserve capital, maintain liquidity and diversification, and to attain a market rate of return throughout budgetary and economic cycles. This program is managed by the City Recorder/ Treasurer. All bank balances were collateralized by federal depository insurance or certificates of participation in the collateral pool issued by the Treasurer of the State of Oregon as the collateral pool manager.

Risk Management. The City has an ongoing risk management program. As part of this comprehensive program, which was started in 1980, resources are accumulated in the Insurance Services Fund to meet potential losses. Various risk control techniques, including employee accident prevention training and employee wellness programs, have been implemented to minimize workers compensation and health insurance claims.

The City provides life and health coverage to its employees and their dependants. The City pays 95% for employees with management and all five bargaining units paying 5% of their premium. Other optional supplemental insurances are available to employees and are paid entirely by the individuals electing to carry them. General liability claims up to \$50,000 and workers compensation claims are being self-insured.

Accounting principles generally accepted in the United States of America require that management provide a discussion and analysis to accompany the financial statements. This letter of transmittal compliments management's discussion and analysis, and should be read in conjunction with it. The City's management's discussion and analysis can be found immediately following the report of the independent auditors.

OTHER INFORMATION

Tax Limitation. Article IX of the Oregon Constitution contains various limitations of property taxes levied by local jurisdictions. The Constitution calls for taxes imposed upon property to be segregated into two categories: one to fund the public school system and community college and the other for local governments. The citizens of the State of Oregon approved a property tax limitation in November 1991 referred to as Measure 5. This constitutional amendment divides property taxes into an education category and an all other local government category. The education category property taxes were limited to \$15.00 per thousand of real market value (RMV) initially, and have been lowered to \$5.00 per thousand. The local government category is limited to \$10.00 per thousand. The 2005-2006 local government tax rate in the City of Ashland was \$5.26, well within the limitation. Voter approved general obligation debt is not subject to the \$10.00 limitation.

In November 1996 the citizens of the State of Oregon approved a property tax limitation referred to as Measure 47. Prior to enactment, this measure was repealed and replaced at a special election May 20, 1997, by Measure 50. Measure 50, after the 1996-1997 fiscal year, changed the property tax limitation on levies, rates assessment and equalization. Measure 50 includes a reduction of property tax to previous levels and a limit on the growth in assessed valuation, which will result in a limit on a tax increase in subsequent years. Specifically, Measure 50 rolled back the assessed value of each unit of property for the tax year 1997-98 to its 1995-96 "real market value" less ten percent. The Measure limited increases in assessed value in future years to 3% per year. The Measure also establishes a new permanent tax rate for each taxing district. Ashland's permanent rate for the operating levies is set at \$4.2865, although the City chose to levy only \$3.7147 of this amount in 2005-2006. The Measure also provides for voter approved Local Options for levies outside the limits. In May 1997, Ashland voters approved the three-year Ashland Youth Activities Levy as a Local Option Levy at a rate of \$0.97.

The levy was renewed in May 2000 and again in May 2003 at a maximum rate of \$1.38. The 2003 renewal was for five years.

Recent Court Cases. Two recent court cases have brought into focus the potential impact legislative or judicial changes may have on the City. An Oregon Court of Appeals decision in the case of *Clarke v. Oregon Health Sciences University* has raised questions about the tort cap limits that are part of the Oregon Tort Claims Act and liability coverage in Oregon. This case may change the protection that Oregon public entities have relied on in ORS 30.270 and may allow public entity staff members to be sued individually. Also, an Oregon Supreme Court opinion in the *Urhausen v. City of Eugene* regarding the constitutionality of special tax levies allowed under ORS 310.155(3) may have an impact on the similar Youth Activity Levy approved by Ashland citizens in 2003. The immediate impact of either decision on the City of Ashland is not well known at the time of this report and will be evaluated during the next year.

Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Pauly, Rogers and Co., P.C. was selected by the City's Audit Committee. In addition to meeting the requirements set forth in the state statutes, the audit was also designed to meet requirements of the federal Single Audit Amendments of 1996 and the related OMB Circular A-133. Generally accepted auditing standards and the standards set forth in the General Accounting Office's Government Auditing Standards were used by the auditors in conducting the engagement. The independent auditor's report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of its report. The auditor's reports related specifically to the Single Audit Act are included in the grant compliance section.

Awards. The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for fiscal year ended June 30, 2005. This was the fourteenth year the City had submitted its report for review. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. This award is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we intend to submit it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Ashland received the GFOA's Award for Distinguished Budget Presentation for its annual 2005-2006 budget. In order to qualify for the Distinguished Budget

Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, as an operational guide, as a financial plan and as a communication device.

Acknowledgments. The timely preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the City of Ashland Administrative Services/Finance Department and Ashland Parks and Recreation Commission staff. Each member has my sincere appreciation for the contribution made with special thanks to the Accounting Division and Finance Administration staff for their dedicated efforts in maintaining the accounting systems, audit preparation and report writing.

Sincerely,

Lee Tuneberg
Administrative Services and Finance Director

**CITY OF ASHLAND
ELECTED CITY OFFICIALS
June 30, 2006**

Name

Position

John Morrison
249 Wimer Street #40
Ashland, OR 97520

Mayor

Alex Amarotico
101 Oak Street
Ashland, OR 97520

Council Member

David Chapman
390 Orchard Street
Ashland, OR 97520

Council Member

Jack Hardesty
575 Dogwood Way
Ashland, OR 97520

Council Member
Deceased, May 23, 2006

Cate Hartzell
881 East Main Street
Ashland, OR 97520

Council Member

Kate Jackson
359 Kearney Street
Ashland, OR 97520

Council Member

Russ Silbiger
562 Ray Lane
Ashland, OR 97520

Council Member

Barbara Christensen
759 Willow Street
Ashland, OR 97520

Recorder/Treasurer

Allen Drescher
815 Oak Street
Ashland, OR 97520

Municipal Judge

CITY OF ASHLAND
APPOINTED CITY OFFICIALS
June 30, 2006

<u>Name</u>	<u>Position</u>
Martha Bennett 223 Eastbrook Way Ashland, OR 97520	City Administrator
Paula Brown P.O. Box 1079 Ashland, OR 97520	Public Works Director
Joseph Franell P.O. Box 2853 White City, OR 97503	Information Technology Director
Michael Franell 665 Wren Ridge Drive Eagle Point, OR 97524	City Attorney
Ron Goodpaster 313 Ravenwood Place Ashland, OR 97520	Interim Police Chief
Darlow "Lee" Tuneberg 327 Starflower Lane Ashland, OR 97520	Administrative Services/ Finance Director / Budget Officer
Richard Wanderscheid 1280 Kirk Lane Ashland, OR 97520	Electric Director
Keith Woodley 571 Oak Knoll Drive Ashland, OR 97520	Fire Chief

ASHLAND PARKS AND RECREATION COMMISSION
(A Component Unit of the City of Ashland, Oregon)
ELECTED OFFICIALS
June 30, 2006

Name

Position

Rich Rosenthal
1228 Rose Lane
Ashland, OR 97520

Commissioner Chair

Mike Gardiner
349 Orange Avenue
Ashland, OR 97520

Commissioner

Diane Amaratoco
265 Alta Avenue
Ashland, OR 97520

Commissioner

JoAnne Eggers
221 Granite Street
Ashland, OR 97520

Commissioner

Jim Lewis
640 A Street
Ashland, OR 97520

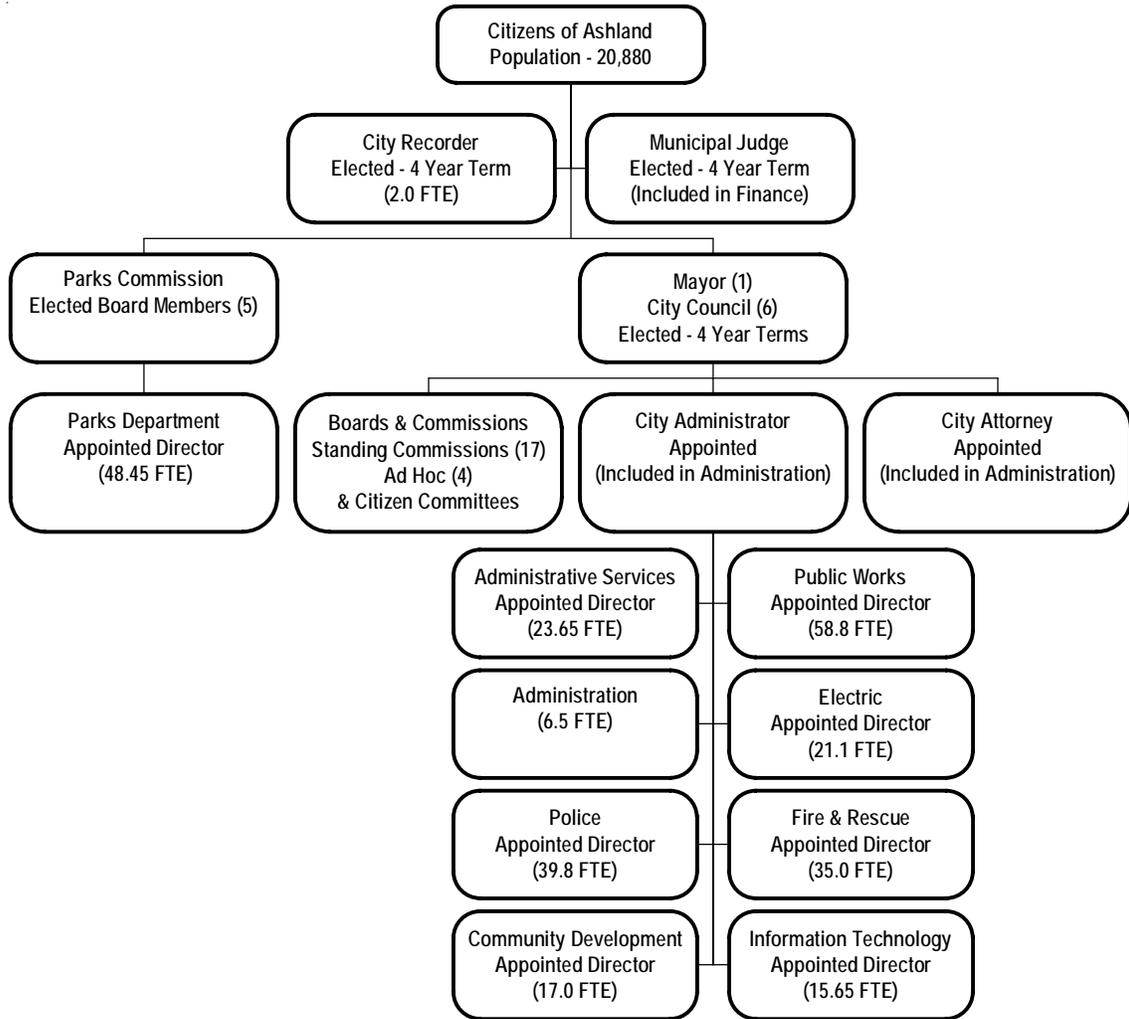
Commissioner

Appointed Official

Don Robertson
458 Williamson Way
Ashland, OR 97520

Parks Director

City of Ashland
267.95 FTE
Adopted



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Ashland
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

November 16, 2006

The City Council
City of Ashland, Oregon

The Audit Committee advises the City Council on matters concerning the City's financial reporting process. In fulfilling its responsibilities, the Committee recommends the independent certified public accountants to be engaged by the City Council as the City's auditors. The Committee discusses with the selected independent certified public accountants the overall scope and specific plans for the audit.

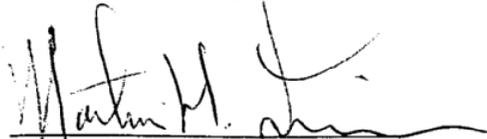
The Committee also discusses with the City's auditors the City's financial accounting and reporting processes, including the preparation of the financial statements. In addition, the Committee discusses including the safeguarding of the City's assets and other resources against unauthorized acquisition, use or disposition.

At the conclusion of the annual audit, the Committee meets with the City's auditors to discuss the results of their audit and their evaluation of the City's financial reporting.

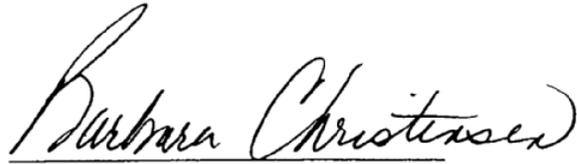
Based on the Committee's discussions with the City's auditors, we accept the City's 2005-2006 Comprehensive Annual Financial Report (CAFR) and the related audit reports of the independent certified public accountants. Based on our acceptance, we recommend the CAFR and auditor's reports be accepted by the City Council.

Respectfully submitted,

The Audit Committee



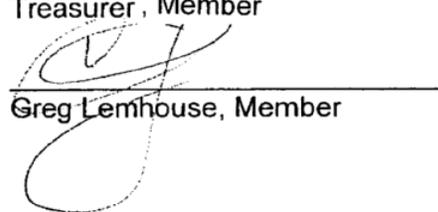
Martin Levine, CPA, Member



Barbara Christensen, City Recorder/
Treasurer, Member



Guy Nutter, Member



Greg Lemhouse, Member

20 East Main Street
Ashland, Oregon 97520
www.ashland.or.us

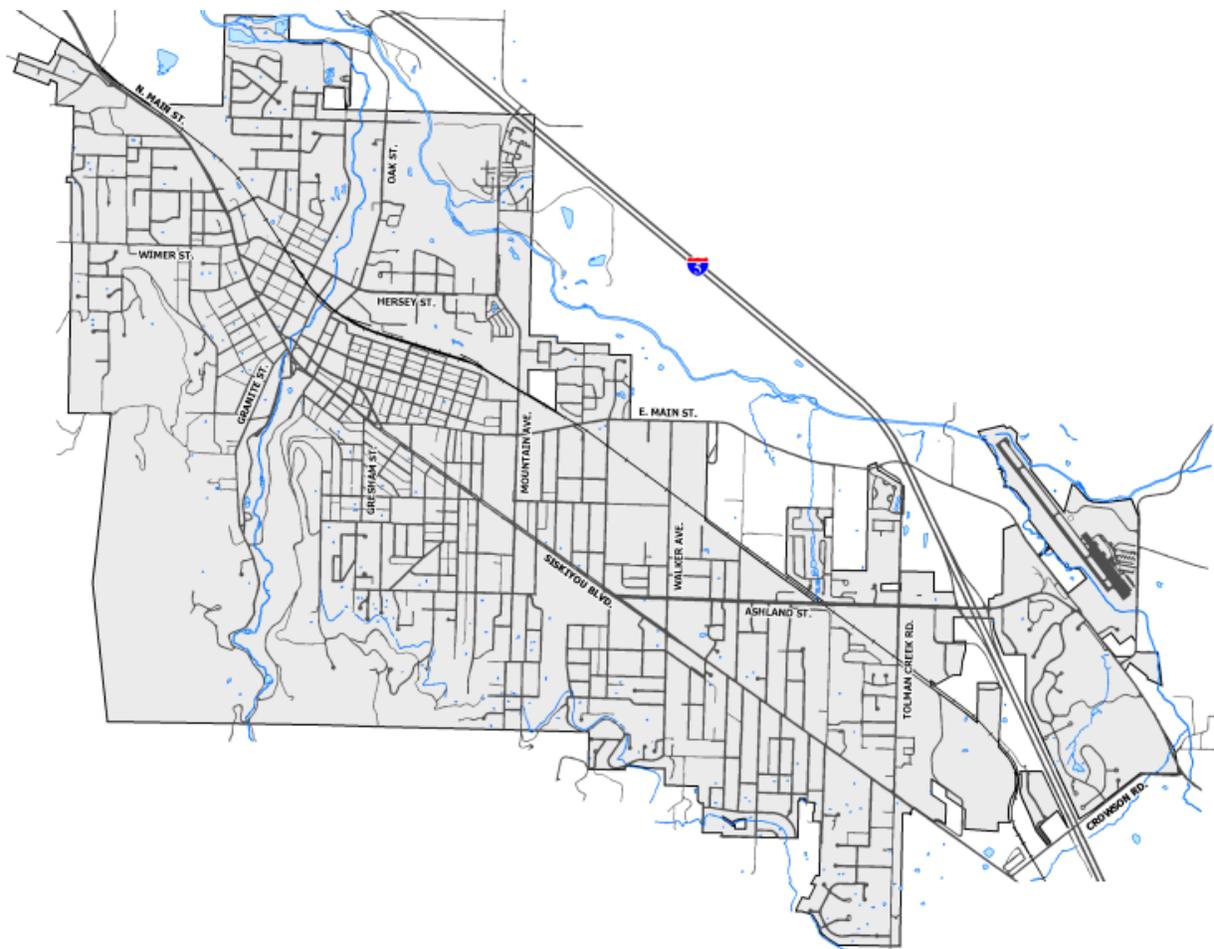
Tel: 541-488-5300
Fax: 541-488-5311
TTY: 800-735-2900



CITY OF ASHLAND



Vicinity Map 2006



FINANCIAL SECTION





PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

- 12700 S.W. 72nd Avenue • Tigard, Oregon 97223
- PHONE (503) 620-2632 • FAX (503) 684-7523

October 27, 2006

To the Honorable Mayor and
Members of the City Council
City of Ashland, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Ashland, Jackson County, Oregon, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of Ashland Parks and Recreation Commission were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Ashland, Jackson County, Oregon, at June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 27, 2006, on our consideration of City of Ashland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management Discussion and Analysis and the required supplementary information, as listed on the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ashland's basic financial statements. The introductory section, supplementary information and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



PAULY, ROGERS AND CO., P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Ashland management offers readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. Certain information has been provided for the Ashland Parks & Recreation Commission which qualifies as a component unit of the City. Please read Management's Discussion and Analysis (MD&A) in conjunction with the transmittal letter included in the introductory section of this report and the City's Financial Statements, which follow.

Financial Highlights

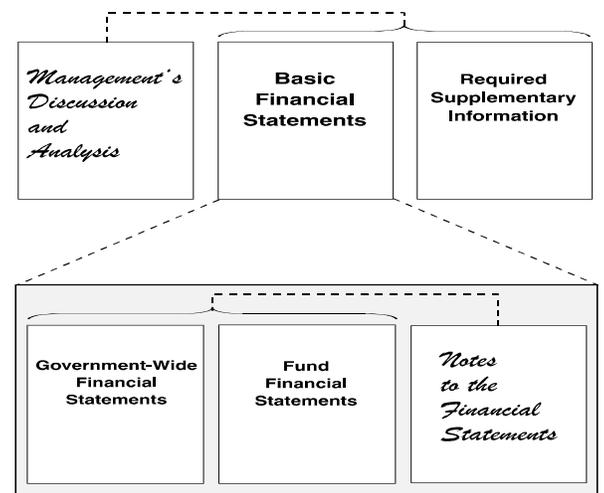
- The total net assets of the City of Ashland (total assets less total liabilities) at the fiscal year end of June 30, 2006 is \$104,485,189.
- The City's total net assets increased this year by \$2,296,739 or 2.2%.
- The City's governmental funds reported combined ending fund balances totaling \$5,752,148, an increase of \$697,257 for the year. Proprietary funds combined ending fund balances decreased by \$1,432,792 to a total of \$14,115,800.
- The unreserved fund balance for the General Fund was \$2,326,936 or 18.7 percent of total General Fund expenditures.
- The City of Ashland issued \$2.56 million in refunding bonds during the year to refinance part of the debt from the 1997 and 2000 Flood Restoration and Refunding Bond series.

Overview of the Financial Statements

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. Figure 1 shows how the required parts of this annual report are arranged and related to one another. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.

Figure 1, Required Components of the City of Ashland's Annual Financial Report



Summary ↔ Detail

- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 2 Major Features of the City of Ashland's Government-wide and Fund Financial Statements

Type of Statements	Government-wide	Governmental Funds	Fund Statements Proprietary Funds	Fiduciary Funds
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private business: self insurance	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	-Statement of net assets -Statement of activities	-Balance sheet -Statement of revenues, expenditures & changes in fund balances	-Statement of net assets -Statement of revenues, expenses and changes in fund net assets -Statement of cash flows	-Statement of fiduciary net assets -Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term: the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year: expenditures for goods or services that have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, and interest on long-term debt. Property taxes, grants and some fees finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the City's other programs and activities.
- *Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets were \$104,485,189 at June 30, 2006. (See Table A)

Table A
City of Ashland's Net Assets
(In thousands dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2006-2005
	2006	2005	2006	2005	2006	2005	
Current Assets:							
Cash and cash equivalents	\$ 9,726	\$ 9,552	\$ 12,952	\$ 15,067	\$ 22,678	\$ 24,619	-7.9%
Due from other governments	(1,320)		1,320		-	-	n/a
Other receivables	2,354	975	2,204	3,436	4,558	4,411	3.3%
Deferred charges			1,721	1,820	1,721	1,820	-5.4%
Inventories - supplies and materials	32	43	800	851	832	894	-6.9%
Total current assets:	<u>10,792</u>	<u>10,570</u>	<u>18,997</u>	<u>21,174</u>	<u>29,789</u>	<u>31,744</u>	-6.2%
Noncurrent assets:							
Capital assets	82,373	75,929	107,666	109,264	190,039	185,193	2.6%
Less accumulated depreciation	(33,507)	(31,952)	(28,803)	(26,617)	(62,310)	(58,569)	6.4%
Total noncurrent assets	<u>48,866</u>	<u>43,977</u>	<u>78,863</u>	<u>82,647</u>	<u>127,729</u>	<u>126,624</u>	0.9%
Total Assets	<u>59,658</u>	<u>54,547</u>	<u>97,860</u>	<u>103,821</u>	<u>157,518</u>	<u>158,368</u>	-0.5%
Current liabilities:							
Accounts payable and accrued liabilities	2,590	2,653	2,267	3,162	4,857	5,815	-16.5%
Deferred revenue	13	26			13	26	-50.0%
Total current liabilities	<u>2,603</u>	<u>2,679</u>	<u>2,267</u>	<u>3,162</u>	<u>4,870</u>	<u>5,841</u>	-16.6%
Long-term liabilities:							
Claims payable	6,321	6,724	41,842	43,615	48,163	50,339	-4.3%
Total Liabilities	<u>8,924</u>	<u>9,403</u>	<u>44,109</u>	<u>46,777</u>	<u>53,033</u>	<u>56,180</u>	-5.6%
Net Assets:							
Invested in capital assets	42,670	37,631	42,661	39,033	85,331	76,664	11.3%
Restricted	2,842	2,664	6,165	6,550	9,007	9,214	-2.2%
Unrestricted	5,222	4,849	4,924	11,461	10,146	16,310	-37.8%
Total Net Assets	<u>\$ 50,734</u>	<u>\$ 45,144</u>	<u>\$ 53,751</u>	<u>\$ 57,044</u>	<u>\$ 104,485</u>	<u>\$ 102,188</u>	2.2%

At June 30, 2006, approximately 61.1% (\$5.5 million) of the City's restricted net assets represent proceeds from systems development charges as compared to \$6.2 million or 67% the prior year. These proceeds, when spent, are restricted for capital assets or related debt. The \$16.3 million of unrestricted net asset at June 30, 2006, is 12.2% larger than the prior year and represents resources available to fund the programs of the City next year.

Changes in net assets. The City's total revenues decreased \$1.0 million (-2.2%) to \$42.5 million during the year. Significant revenue changes were decreases in Charges for service of \$571,000 (-1.9%) and total grants & contributions of \$1.3 million (-64.2%) offset in part by increases of \$323,000 (11.8%) in Property Taxes, \$361,000 (5.3%) in Other Taxes and 55.3% or \$276,000 in Interest Income. The reductions represent fewer permits, fees and licenses and intergovernmental monies while additional revenues from utility and tourism based taxes and a better yield from the amount of money invested. Of the total \$42.5 million, 70.7% or \$30.0 million is from Charges for services and \$2.2 million is from grants, interest earnings and other non-tax sources. Only 24.2% or \$10.3 million comes from the various sources of taxes. (See Table B.) Tax revenues represented 22.1% of total revenues in the prior year.

Table B
Changes in City of Ashland's Net Assets
(In thousands dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2006-2005
	2006	2005	2006	2005	2006	2005	
Program revenues:							
Charges for services	\$ 7,821	\$ 8,480	\$ 22,205	\$ 22,117	\$ 30,026	\$ 30,597	-1.9%
Operating grants & contributions	142	431	80	43	222	474	-53.2%
Capital grants & contributions	502	1,466	-	81	502	1,547	-67.6%
General revenues:							
Property taxes	2,971	2,659	86	75	3,057	2,734	11.8%
Other taxes	5,633	5,391	1,573	1,454	7,206	6,845	5.3%
Interest	257	146	518	353	775	499	55.3%
Other	617	288	57	439	674	727	-7.3%
Total revenues	17,943	18,861	24,519	24,562	42,462	43,423	-2.2%
Program expenses:							
General government	2,818	5,203			2,818	5,203	-45.8%
Public safety	7,903	9,236			7,903	9,236	-14.4%
Highways and streets	2,420	4,221			2,420	4,221	-42.7%
Interest on long-term debt	637	311			637	311	104.8%
Water			4,974	5,910	4,974	5,910	-15.8%
Wastewater			4,398	4,524	4,398	4,524	-2.8%
Electric			12,832	12,445	12,832	12,445	3.1%
Telecommunications			4,183	4,239	4,183	4,239	-1.3%
Total expenses	13,778	18,971	26,387	27,118	40,165	46,089	-12.9%
Increase (Decrease) in net assets							
before transfers and disposals	4,165	(110)	(1,868)	(2,556)	2,297	(2,666)	-186.2%
Capital asset transfers	1,425		(1,425)		-	-	
Increase (Decrease) in net assets	5,590	(110)	(3,293)	(2,556)	2,297	(2,666)	-186.2%
Net Assets - 6/30/2005	45,144	45,254	57,044	59,600	102,188	104,854	-2.5%
Recognition of prior infrastructure							
Net Assets - 6/30/2006	<u>\$ 50,734</u>	<u>\$ 45,144</u>	<u>\$ 53,751</u>	<u>\$ 57,044</u>	<u>\$ 104,485</u>	<u>\$ 102,188</u>	2.2%

The total cost of all programs and services was \$40.2 million which is 22.8% less than 2005's \$46.1 million. Governmental Activities decreased \$5.2 million and Business-type Activities decreased \$0.7 million. The prior year included significant increases in project costs and related financing whereas FY 2005-2006 did not, resulting in less capital and operational expenditures. This, combined with the revenue levels mentioned above, resulted in a \$2.3 million increase in net assets for the current year as opposed to a \$2.7 reduction in the prior year. Only the Electric Fund recorded an increase in costs (\$387,000 or 3.1%) for the year which included an operational transfer.

As mentioned above, the overall change in Net Assets during the year is an increase of \$2.3 million or 2.2%. In the prior year the City experienced a \$2.7 million decrease in net assets. The two years combined indicate stability in the City's financial position.

The overall increase for 2005-2006 represents consistent revenue streams in most areas but less work on capital improvements. The city received less in Operating and Capital grants and contributions than the prior year while reducing expenditures in General Government operations. Utilities also received and spent less during the year, relying on reserves to balance.

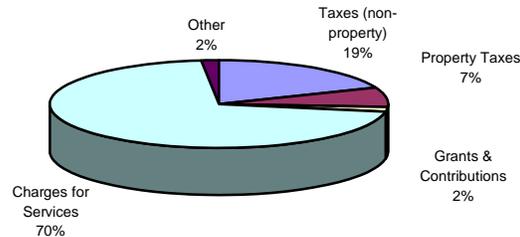
Governmental Activities

- The cost of all governmental activities in FY 2005-2006 was \$13.8 million or 27.3% (\$5.2 million) less than the prior year. Fiscal year 2004-2005 was 15.4% more than the prior year's \$16.4 million.
- The amount that citizens paid for these activities through property taxes was \$2,970,566 or approximately \$312,000 more than the prior year representing an 11.7% increase, in part due to a smaller amount for debt service levied in 2004-2005.
- Those who directly benefited from the programs paid \$659,000 (7.8%) less than the prior year's \$8.5 million which equates to 59.5% of the cost (excluding interest on long term debt) for FY 2005-2006 as compared to 45.4% in the prior year. The prior year included more grant activity and financing to cause the difference.
- Grants and contributions revenues dropped from \$1,896,780 to \$643,653 between the two years resulting in a 4.7% ratio to total governmental expenses for 2005-06 as compared to 10.0% in the prior year. Part of this was a federal grant for improvements at the airport of approximately \$900,000 in the prior year that helps cause this variance. The availability of grant and contribution revenues (and related costs) can change significantly each year.

The Property Tax revenue increase was due to allowable increases for assessed value on property, new construction and improvements, normally referred to as growth, plus the debt service amounts levied. Other tax revenues increased \$242,000 including increased franchise revenues from utilities, transient occupancy tax revenues, state subventions (such as gas tax) and other user taxes such as food and beverage tax proceeds. Figure 3 shows the mix of the different sources of revenue for governmental activities including the General, Street, Airport, and other funds.

Net Assets for Governmental Activities as identified in Table B increased \$5.6 million or 12.4% to \$50,734,018 (including a \$1,425,000 reclassification of a capital asset as part of the city's review of all assets). Without the transfer the increase between years is 9.2% or \$4.4 million as compared to the prior years \$110,000 decrease.

**Figure 3 City of Ashland
Sources of Revenue for Fiscal Year 2006**



Reducing reserves had been a goal of the City and prior budgets reflected such activity. This approach for funding new or elevated programs will not be possible in the coming years. Management's focus for FY 2006-2007 and beyond is to balance annual and short-term revenues and expenses, maintaining approved reserve levels to assure long-term financial stability. The average between FY 2004-2005 and FY 2005-2006 came very close to that goal.

Table C presents the cost of each of the City's largest Governmental Activities as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The table shows that, again this year, only General Government (primarily General Fund and Airport Fund activities) had charges for services, grants and contributions sufficient to cover expenses as reflected by the negative net costs in the table of \$1,838,000 as compared to \$711,000 more in revenues than expenses in the prior year. Public Safety (Police and Fire services in the General Fund) and Highways and Streets had "positive" net costs that required funding through General Revenues like taxes and fund balance in FY 2005-2006 as in the prior year. Changes between years are common and most often are due to timing of capital projects and receipt of related financing proceeds, grants or other intergovernmental monies.

Table C
 Net Cost of Selected City of Ashland Governmental Functions
 (In thousands of dollars)

	Total Cost of Services			% Change	Net Cost of Services		
	<u>2006</u>	<u>2005</u>			<u>2006</u>	<u>2005</u>	
General Government	\$ 2,818	\$ 5,203	-45.8%	\$ (1,838)	\$ (711)	-158.5%	
Public Safety	7,903	9,235	-14.4%	6,346	7,341	-13.6%	
Highways and Streets	2,419	4,221	-42.7%	168	1,653	-89.8%	

Business-type Activities

Program revenues of the City's Business-type Activities totaled \$22,205,195 or 84.1% of related expenses for FY 2005-2006 as compared to \$22,117,341 or 81.6% of the prior year. Revenues were fairly consistent between years with increased activity in Telecommunications and rate increases to help maintain income levels. The more significant impact was less activity in capital projects for the year that raised the percent of revenue to costs 2.5% between years. There were limited grant revenues for business activities in FY 2005-2006 as compared to the \$124,160 in FY 2004-2005, representing less money for conservation and forest interface work. This was the last year for the forest interface grant that partially funded that work in the watershed.

All four utilities presented in Table D recorded program revenues less than expenses resulting in net costs in FY 2005-2006. The Wastewater Fund was fairly consistent with the net cost including debt service of \$1.7 million on the treatment plant that is primarily paid for by Food and Beverage Tax revenue. Telecommunications improved between years with 9.6% less net cost, representing more customers and Charges for service. The Water Fund net cost improvement relates to less in capital project expenses and the Electric Fund's increase in net costs includes a \$500,000 operational transfer to Telecommunications.

Table D
 Net Cost of Selected City of Ashland Business-type Functions
 (In thousands of dollars)

	Total Cost of Services			% Change	Net Cost of Services		
	<u>2006</u>	<u>2005</u>			<u>2006</u>	<u>2005</u>	
Water	\$ 4,975	\$ 5,910	-15.8%	\$ 399	\$ 1,608	-75.2%	
Wastewater	4,398	4,524	-2.8%	1,558	1,552	0.4%	
Electric	12,832	12,445	3.1%	700	119	488.2%	
Telecommunications	4,183	4,239	-1.3%	1,444	1,597	-9.6%	

FINANCIAL ANALYSIS OF THE CITY OF ASHLAND'S FUNDS

Total ending fund balance for city funds decreased 3.1% or \$746,088 to \$22,957,918. With the Parks and Recreation Commission (component unit of the city) fund balances, the total is \$24,665,985 at June 30, 2006, and represents 43.8% more than budgeted. The increased amount represents:

- Some revenue streams increasing or remaining stable while some reductions in costs
- Budgets being under spent
- Program and project activities being less than anticipated
- Most of the Contingency amount in fund going unused

Revenues from governmental fund types totaled \$17.9 million, which is \$918,000 less than the preceding year. Along with other changes, the key reduction is over \$1.5 million less in grants and contributions, primarily in the General Fund and the Street Fund for capital equipment purchases and runway improvements. General Fund's ending balance is \$333,000 higher than the prior year and approximately double the targeted amount due to program activities being less than anticipated, staff positions unfilled, departments under spending their budgets and not all of contingency being used.

Other significant changes were increases in Other Taxes (\$361,000), and Miscellaneous revenues of \$329,000 including donations and gains on disposal of old equipment. Charges for services decreased \$571,000 between years primarily from reductions in Fees, licenses and permits and Fines and forfeitures. Both categories had less chargeable activity in the General Fund than the prior year such as fewer building permits and related charges and municipal court cases that did not result in similar revenue as the year before. Total costs for the same activities decreased approximately \$5.2 million to \$13.8 million during FY 2005-2006 representing less expended on capital projects for general government activities while other programs increased.

Capital intensive funds (all enterprise funds) maintained higher than budgeted ending fund balances but were slightly reduced from the prior year. In part, this is due to some capital expenditures not being needed at this time keeping reserves in place. The Water and Wastewater fund revenues were similar but capital expenditures were well below the budgeted amounts. Electric Fund reported excess revenues over expenses even though a rate increase was minimized and a surcharge reduced. Wholesale power costs have not risen as expected contributing to a better-than-budgeted ending fund balance. The Telecommunications Fund balance decreased \$341,063 to \$518,687 but was only maintained at that level with an internal transfer from the Electric Fund.

The Debt Service, Equipment and Cemetery Trust fund balances remained consistent and above targets reflecting balanced revenues and expenditures. The Insurance Services Fund balance also remained flat but elevated approximately \$400,000 with additional monies held there for future pension and claims obligations expected there.

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget seven times by transfer of appropriation or supplemental budget. With these adjustments, actual expenditures were 7.7% or \$1,037,571 below final budget amounts as compared to FY 2004-2005's 8.2% or \$1,164,449 unspent. The Fire and Rescue Department spent 91.7% of their adopted budget leaving \$417,803 for carry forward primarily due to less staff and the timing of capital purchases. Other significant positive variances are the Community Development's Planning and Building divisions' 8.3% and 9.4% under expending budget again this year resulting in a total of \$155,271 remaining in Ending Fund Balance and the Police Department spending only 95.2% of its budget. The primary reason for these variances are reduced staffing in the form of unfilled positions, related benefit savings and unexpended program monies reliant upon staff available to coordinate the work.

On the other hand, resources varied greatly between revenue categories and resulted in a \$732,853 increase over the prior year. Increased general taxes and franchise revenues from utilities played a significant role in this change. The net effect was revenue exceeding expenses by \$208,597 when a shortfall of \$506,101 was budgeted for a positive variance of \$714,698.

With transfers between funds the fund balance increased \$233,548. An increase in the fund balance will provide more flexibility in the coming year. Not reflected in FY 2005-2006 is the repayment of the \$215,000 loan to the Community Development Block Grant Fund to restore federal monies that were used to buy The Grove community center. This money will be repaid to the General Fund when identified surplus property is sold in FY 2006-2007. Contributing to the increased fund balance is the unused \$172,274 portion of the Contingency originally budgeted at \$350,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006, the City had invested \$127,729,000 (\$85,331,249 net of related debt) in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table E). This is an increase of \$1.1 million in Net Assets after an increase in depreciation of \$3.7 million.

Table E
City of Ashland's Capital Assets
(In thousands dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2006-2005
	2006	2005	2006	2005	2006	2005	
Land	\$ 8,560	\$ 8,288	\$ 1,945	\$ 1,945	\$ 10,505	\$ 10,233	2.7%
Buildings and improvements	19,563	9,110	21,782	23,114	41,345	32,224	28.3%
Equipment	12,405	11,771	636	675	13,041	12,446	4.8%
Other	41,846	46,759	83,304	83,530	125,150	130,289	-3.9%
Totals at historical cost	<u>82,374</u>	<u>75,928</u>	<u>107,667</u>	<u>109,264</u>	<u>190,041</u>	<u>185,192</u>	2.6%
Total accumulated depreciation	<u>33,509</u>	<u>31,952</u>	<u>28,803</u>	<u>26,617</u>	<u>62,312</u>	<u>58,569</u>	6.4%
Net capital assets	<u>\$ 48,865</u>	<u>\$ 43,976</u>	<u>\$ 78,864</u>	<u>\$ 82,647</u>	<u>\$ 127,729</u>	<u>\$ 126,623</u>	0.9%

Even though expenditures on capital assets during FY 2005-2006 were small in comparison to prior years and the total for Net Capital Assets increased only \$1.1 million, there were significant adjustments between categories as the city reviewed asset records and adjusted or reclassified individual items. The Totals at historical cost amount shown in the table above, represents a net increase (including additions and deductions) of 0.9 percent over last year.

The City's fiscal year 2007 capital budget estimates spending \$13,295,000 on capital projects including construction of new transmission line replacement, fire station reconstruction, wastewater and street improvements. Bond proceeds, some cash reserves and systems development charge balances will be used to fund these capital projects. Reserves in the Equipment Fund will be used to purchase several vehicles, various pieces of utility equipment and software. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

The City issued \$2,560,000 in General Obligation bonds refunding a portion of the City's General Obligation Bonds, Series 1997 and Series 2000 bonds on December 1, 2005, with an interest rate ranging from 3.5% to 5.0% over the fifteen year life. The refunding resulted in a \$121,962 (4.41%) net present value savings. Moody's assigned an "Aaa" rating to the bonds due to the fact that the bonds are insured by Financial Security Assurance, Inc. The underlying rating to these bonds was "A2."

Bond Ratings

The City's bonds presently carry Moody's "Aaa" ratings with insurance and underlying ratings as follows: General Obligation Bonds at "A2" and Water Revenue Bonds at "A3".

At year-end the City had \$43.4 million in bonds and notes outstanding as shown in Table F. This is \$1.6 million or 3.6% less than the prior year. More detailed information about the City's debt is presented in the notes to the financial statements.

Table F
 City of Ashland's Long Term Debt
 (In thousands dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2006-2005
	2006	2005	2006	2005	2006	2005	
Bonds payable	\$ 3,280	\$ 3,050	\$ 16,500	\$ 16,995	\$ 19,780	\$ 20,045	-1.3%
Claims payable	2,917	3,295	20,702	21,660	23,619	24,955	-5.4%
Total bonds & notes	<u>\$ 6,197</u>	<u>\$ 6,345</u>	<u>\$ 37,202</u>	<u>\$ 38,655</u>	<u>\$ 43,399</u>	<u>\$ 45,000</u>	-3.6%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Growth in assessed value used for the 2007 budget preparation was projected at 3% per the Measure 50 limitation and 2% for new construction.
- Projections for new construction for 2007 is up \$33.5 million or 2%.
- General Fund budgeted spending for 2007 increases over 2006's actual of \$12.4 million by \$3.0 million to \$15.4 (excluding transfers and contingency). This is a 23.9% increase.

These indicators were taken into account when adopting the General Fund budget for 2007. The amounts available for appropriation in the General Fund budget was estimated to be \$15.5 million in resources and a working capital carry over of \$1.3 million. The actual carry forward for the General Fund budget is \$2.3 million.

General Fund Tax revenues are projected to increase \$1.1 million (14.3% over actual for 2006) to \$9.7 million yet property taxes are a small part of the total thus most of the increase is budgeted in the Electric User, Transient Occupancy and Franchise taxes. The City will use these increases in revenues to finance programs currently offered.

The largest increments in budgeted expenditures for 2007 are increased benefit and retirement costs for staffing, internal charges and fuel-related and operating costs. The City has added no new major programs or initiatives to the 2007 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Administrative Services Department at 20 East Main, Ashland, Oregon, 97520, (541) 488-5300.

BASIC FINANCIAL STATEMENTS



CITY OF ASHLAND, OREGON
STATEMENT OF NET ASSETS
June 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Parks and Recreation
ASSETS				
Assets:				
Cash and cash equivalents	\$ 9,274,073	\$ 12,951,933	\$ 22,226,006	\$ 1,874,507
Receivables (net of allowance for uncollectibles)	2,353,604	2,203,826	4,557,430	489,281
Inventories	31,621	799,588	831,209	
Deferred charges		1,721,312	1,721,312	
Internal Balances	(1,319,579)	1,319,579	-	
Restricted assets:				
Cash and cash equivalents	451,672		451,672	
Capital Assets:				
Land	8,559,612	1,945,107	10,504,719	
Buildings	19,563,238	21,782,188	41,345,426	11,940,582
Machinery and equipment	12,405,182	636,103	13,041,285	1,726,683
Infrastructure	41,047,189	80,305,280	121,352,469	536,322
Construction in progress	798,324	2,998,341	3,796,665	
Accumulated Depreciation	<u>(33,506,950)</u>	<u>(28,803,335)</u>	<u>(62,310,285)</u>	<u>(4,747,505)</u>
Total assets	\$ 59,657,986	\$ 97,859,922	\$ 157,517,908	\$ 11,819,870
Liabilities:				
Accounts payable and other current liabilities	\$ 2,590,134	\$ 1,678,775	\$ 4,268,909	\$ 294,910
Accrued interest payable	-	587,720	587,720	
Unearned revenue	12,700		12,700	
Noncurrent liabilities:				
Due within one year	590,000	1,475,373	2,065,373	22,995
Due in more than one year	<u>5,731,134</u>	<u>40,366,883</u>	<u>46,098,017</u>	<u>68,984</u>
Total liabilities	<u>8,923,968</u>	<u>44,108,751</u>	<u>53,032,719</u>	<u>386,889</u>
Net Assets				
Invested in capital assets, net of related debt	42,669,821	37,021,428	79,691,249	9,456,082
Restricted for:				
System development	1,663,317	4,251,713	5,915,030	
Debt service	459,095	1,913,648	2,372,743	
Perpetual care: Nonexpendable	719,429		719,429	
Unrestricted	<u>5,222,356</u>	<u>10,564,382</u>	<u>15,786,738</u>	<u>1,976,899</u>
Total net assets	<u>\$ 50,734,018</u>	<u>\$ 53,751,171</u>	<u>\$ 104,485,189</u>	<u>\$ 11,432,981</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF ASHLAND, OREGON
STATEMENT OF ACTIVITIES
For the year ended June 30, 2006

Functions\Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,818,129	\$ 4,215,629	\$ 141,500	\$ 299,171
Public Safety	7,903,054	1,556,909		
Highways and Streets	2,419,380	2,048,075		202,982
Interest on long-term debt	637,146			
Total governmental activities	13,777,709	7,820,613	141,500	502,153
Business-type Activities:				
Water	4,974,536	4,531,512	43,622	
Wastewater	4,397,923	2,839,685		
Electric	12,831,758	12,095,363	36,043	
Telecommunications	4,182,956	2,738,635		
Total business-type activities	26,387,173	22,205,195	79,665	-
Total primary government	\$ 40,164,882	\$ 30,025,808	\$ 221,165	\$ 502,153
Component Unit:				
Ashland Parks and Recreation	\$ 7,126,804	\$ 957,870	\$ 33,536	\$ -

General Revenues:
Property taxes
Utility users tax
Users Taxes
State subventions - unrestricted
Unrestricted interest earnings
Capital Assets Transfers
Miscellaneous
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

The accompanying notes are an integral part of the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Ashland Parks and Recreation
\$ 1,838,171		\$ 1,838,171	\$ -
(6,346,145)		(6,346,145)	-
(168,323)		(168,323)	-
(637,146)		(637,146)	-
(5,313,443)	-	(5,313,443)	-
	(399,402)	(399,402)	-
	(1,558,238)	(1,558,238)	-
	(700,352)	(700,352)	-
	(1,444,321)	(1,444,321)	-
-	(4,102,313)	(4,102,313)	-
(5,313,443)	(4,102,313)	(9,415,756)	-
-	-	-	(6,135,398)
2,970,566	86,335	3,056,901	5,734,513
2,323,390		2,323,390	
1,784,302	1,573,251	3,357,553	
1,525,220		1,525,220	
256,648	518,138	774,786	73,410
1,425,346	(1,425,346)	-	
617,542	57,103	674,645	
10,903,014	809,481	11,712,495	5,807,923
5,589,571	(3,292,832)	2,296,739	(327,475)
45,144,447	57,044,003	102,188,450	11,760,456
<u>\$ 50,734,018</u>	<u>\$ 53,751,171</u>	<u>\$ 104,485,189</u>	<u>\$ 11,432,981</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF ASHLAND, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Street	Other Governmental Funds	Total Governmental Funds
ASSETS				
Assets:				
Cash and cash equivalents	\$ 2,005,600	\$ 1,679,026	\$ 1,670,409	\$ 5,355,035
Receivables (net of allowance for uncollectibles)	1,062,546	280,067	941,666	2,284,279
Due from other funds	214,877		-	214,877
Cash - restricted			451,672	451,672
Total assets	\$ 3,283,023	\$ 1,959,093	\$ 3,063,747	\$ 8,305,863
 LIABILITIES, AND EQUITY				
Liabilities:				
Accounts payable	\$ 496,942	\$ 314,278	\$ 20,106	\$ 831,326
Deferred revenue	297,844	144,306	787,596	1,229,746
Due to other agencies			-	-
Due to other funds			294,877	294,877
Liabilities payable from restricted assets	161,301	36,465		197,766
Total liabilities	956,087	495,049	1,102,579	2,553,715
 Fund Balances:				
Reserved for:				
Reserved for system development charges		1,597,642	65,675	1,663,317
Reserved for debt service			459,095	459,095
Reserved for perpetual care			719,429	719,429
Unreserved, reported in:				
General Fund	2,326,936			2,326,936
Special revenue funds		(133,598)	130,126	(3,472)
Capital projects funds			586,843	586,843
Total fund balances	2,326,936	1,464,044	1,961,168	5,752,148
Total liabilities and fund balances	\$ 3,283,023	\$ 1,959,093	\$ 3,063,747	\$ 8,305,863

The accompanying notes are an integral part of the basic financial statements.

CITY OF ASHLAND, OREGON
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS
June 30, 2006

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

Fund Balances	\$	5,752,148
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The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net assets includes those capital assets among the assets of the City as a whole.

Net Capital Assets		45,490,001
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Long-term Liabilities		(6,196,774)
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Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.

Accrued Vacation and Sick Leave		(524,407)
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Deferred Revenue		1,217,046
------------------	--	-----------

Internal service funds are used by the City to account for the fleet operations, support services, administrative service and insurance services that are provided to the other departments and agencies on a cost reimbursement basis. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.

Internal Service Fund Net Assets		4,996,004
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Total Net Assets	\$	50,734,018
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The accompanying notes are an integral part of the basic financial statements.

CITY OF ASHLAND, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2006

	General	Street	Other Governmental Funds	Total Primary Government
Revenues:				
Taxes	\$ 8,517,028	\$ 264,072	\$ 673,699	\$ 9,454,799
Fees, licenses and permits	1,106,317			1,106,317
Intergovernmental	810,908	1,209,249	148,716	2,168,873
Special assessments		359,810	1,050	360,860
Charges for services	1,504,874	1,687,218	625,846	3,817,938
Fines and forfeitures	137,460			137,460
Interest on investments	75,021	50,259	72,680	197,960
Miscellaneous	475,871	14,930	63,275	554,076
Total revenues	<u>12,627,479</u>	<u>3,585,538</u>	<u>1,585,266</u>	<u>17,798,283</u>
Expenditures:				
General government	2,827,243		859,176	3,686,419
Public safety	9,591,639			9,591,639
Highways and streets		3,037,522		3,037,522
Debt service			986,626	986,626
Total expenditures	<u>12,418,882</u>	<u>3,037,522</u>	<u>1,845,802</u>	<u>17,302,206</u>
Excess (deficiency) of revenues over expenditures	<u>208,597</u>	<u>548,016</u>	<u>(260,536)</u>	<u>496,077</u>
Other financing sources (uses):				
Refunded Bonds Issued			2,761,180	2,761,180
Payment to refunded bond escrow			(2,560,000)	(2,560,000)
Transfers in	25,451		322,329	347,780
Transfers out	(500)		(347,280)	(347,780)
Total other financing sources (uses)	<u>24,951</u>	<u>-</u>	<u>176,229</u>	<u>201,180</u>
Net Change in Fund Balance	233,548	548,016	(84,307)	697,257
Fund balances, July 1, 2005	2,308,388	916,028	1,830,475	5,054,891
Prior Period Adjustment	<u>(215,000)</u>		<u>215,000</u>	
Fund balances, June 30, 2006	<u>\$ 2,326,936</u>	<u>\$ 1,464,044</u>	<u>\$ 1,961,168</u>	<u>\$ 5,752,148</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF ASHLAND, OREGON
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
For the year ended June 30, 2006

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

Excess of Revenues over Expenditures	\$	697,257
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		4,606,158
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes in liability balances.

Compensated Absences		(236,650)
General Obligation Bonds & Notes Payable		230,000

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Property Taxes		18,485
Special Assessments		(16,019)
Other		39,477

Internal service funds are used by the City to account for the fleet operations, support services, administrative service and insurance services that are provided to the other departments and agencies on a cost reimbursement basis. The revenues and expenses of the internal service funds are included in governmental activities in the statement of activities.

Internal Service Fund Change in Net Assets		<u>250,863</u>
Change in Net Assets	\$	<u><u>5,589,571</u></u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF ASHLAND, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Water Fund	Wastewater Fund	Electric Fund	Telecom- munications Fund	Total	Governmental Activities Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	\$ 5,979,562	\$ 4,951,699	\$ 1,652,871	\$ 367,801	\$ 12,951,933	\$ 3,919,038
Interest and accounts receivable, net	260,384	571,525	916,419	294,720	2,043,048	39,198
Notes and contracts receivable			160,778		160,778	30,127
Interfund receivable	80,000				80,000	
Inventories	227,394	16,644	554,960	590	799,588	31,621
Deferred charges	186,717			256,202	442,919	
Total current assets	<u>6,734,057</u>	<u>5,539,868</u>	<u>3,285,028</u>	<u>919,313</u>	<u>16,478,266</u>	<u>4,019,984</u>
Capital assets	30,239,820	48,913,407	19,431,267	9,082,525	107,667,019	10,173,113
Accumulated depreciation	(10,696,662)	(7,334,632)	(8,902,504)	(1,869,537)	(28,803,335)	(6,796,519)
Capital assets, net	<u>19,543,158</u>	<u>41,578,775</u>	<u>10,528,763</u>	<u>7,212,988</u>	<u>78,863,684</u>	<u>3,376,594</u>
Other assets						
Deferred costs (net of amortization)				1,278,393	1,278,393	
Total noncurrent assets	<u>19,543,158</u>	<u>41,578,775</u>	<u>10,528,763</u>	<u>8,491,381</u>	<u>80,142,077</u>	<u>3,376,594</u>
Total assets	<u>\$ 26,277,215</u>	<u>\$ 47,118,643</u>	<u>\$ 13,813,791</u>	<u>\$ 9,410,694</u>	<u>\$ 96,620,343</u>	<u>\$ 7,396,578</u>
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	\$ 128,808	\$ 149,686	\$ 578,101	\$ 81,554	\$ 938,149	\$ 170,557
Accrued salaries, vacation and payroll taxes	139,877	86,406	189,742	62,872	478,897	390,085
Accrued interest payable	71,192	120,320		396,208	587,720	
Other liabilities	19,408	2,179	240,144		261,731	600,353
Notes/bonds payable, current portion	485,000	990,373			1,475,373	
Total current liabilities	<u>844,285</u>	<u>1,348,964</u>	<u>1,007,987</u>	<u>540,634</u>	<u>3,741,870</u>	<u>1,160,995</u>
Long-term liabilities:	5,640,000					
Notes payable					-	-
Revenue bonds payable, net	4,315,000	19,711,883			24,026,883	-
General obligation bonds payable, net	840,000			15,500,000	16,340,000	-
Total long-term liabilities	<u>5,155,000</u>	<u>19,711,883</u>	<u>-</u>	<u>15,500,000</u>	<u>40,366,883</u>	<u>-</u>
Total liabilities	<u>5,999,285</u>	<u>21,060,847</u>	<u>1,007,987</u>	<u>16,040,634</u>	<u>44,108,753</u>	<u>1,160,995</u>
Net Assets:						
Net assets (deficit):						
Invested in capital assets, net of related debt	13,903,158	20,876,519	10,528,763	(8,287,012)	37,021,428	3,376,594
Restricted for system development	2,464,236	1,787,477			4,251,713	
Restricted for debt service	207,946	1,705,702			1,913,648	
Unrestricted	3,702,590	1,688,098	2,277,041	1,657,072	9,324,801	2,858,989
Total net assets	<u>20,277,930</u>	<u>26,057,796</u>	<u>12,805,804</u>	<u>(6,629,940)</u>	<u>52,511,590</u>	<u>6,235,583</u>
Total liabilities and net assets	<u>\$ 26,277,215</u>	<u>\$ 47,118,643</u>	<u>\$ 13,813,791</u>	<u>\$ 9,410,694</u>	<u>\$ 96,620,343</u>	<u>\$ 7,396,578</u>
Total net assets					\$ 52,511,590	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					1,239,581	
Net assets of business-type activities					<u>\$ 53,751,171</u>	

The accompanying notes are an integral part of the basic financial statements.

CITY OF ASHLAND, OREGON
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the year ended June 30, 2006

	Water Fund	Wastewater Fund	Electric Fund	Telecom- munications Fund	Total	Governmental Activities Internal Service Funds
Operating revenues:						
Charges for services	\$ 4,167,714	\$ 2,837,236	\$ 12,008,573	\$ 2,703,981	\$ 21,717,504	\$ 7,420,859
Miscellaneous	363,798	2,449	86,790	34,654	487,691	100,125
Total operating revenues	<u>4,531,512</u>	<u>2,839,685</u>	<u>12,095,363</u>	<u>2,738,635</u>	<u>22,205,195</u>	<u>7,520,984</u>
Operating expenses:						
Cost of sales and services	3,698,988	2,128,593	10,934,340	2,499,175	19,261,096	6,612,167
Depreciation and amortization	876,015	1,155,616	798,139	783,148	3,612,918	605,569
Total operating expenses	<u>4,575,003</u>	<u>3,284,209</u>	<u>11,732,479</u>	<u>3,282,323</u>	<u>22,874,014</u>	<u>7,217,736</u>
Operating income (loss)	<u>(43,491)</u>	<u>(444,524)</u>	<u>362,884</u>	<u>(543,688)</u>	<u>(668,819)</u>	<u>303,248</u>
Nonoperating income (expenses):						
Taxes	86,335	1,480,566		92,685	1,659,586	16,987
Intergovernmental	43,621		36,042		79,663	
Interest income	208,660	170,856	54,293	6,423	440,232	119,607
Tax equivalents	(276,540)	(181,819)	(1,109,303)	(90,037)	(1,657,699)	
Gain (loss) on disposal of assets		-	(30,282)		(30,282)	
Capital Asset Transfer		(1,425,346)			(1,425,346)	
Interest expense	(152,248)	(961,028)		(827,753)	(1,941,029)	
Total nonoperating income (expenses)	<u>(90,172)</u>	<u>(916,771)</u>	<u>(1,049,250)</u>	<u>(818,682)</u>	<u>(2,874,875)</u>	<u>136,594</u>
Transfers	-	-	(500,000)	500,000	-	
Change in net assets	(133,663)	(1,361,295)	(1,186,366)	(862,370)	(3,543,694)	439,842
Total net assets - beginning	<u>20,411,593</u>	<u>27,419,091</u>	<u>13,992,170</u>	<u>(5,767,570)</u>	<u>56,055,284</u>	<u>5,795,741</u>
Total net assets - ending	<u>\$ 20,277,930</u>	<u>\$ 26,057,796</u>	<u>\$ 12,805,804</u>	<u>\$ (6,629,940)</u>	<u>\$ 52,511,590</u>	<u>\$ 6,235,583</u>
Change in net assets					\$ (3,543,694)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>250,863</u>	
Change in net assets of business-type activities - Statement of Activities					<u>\$ (3,292,831)</u>	

The accompanying notes are an integral part of the basic financial statements.

CITY OF ASHLAND, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2006

	Business-type Activities - Enterprise Funds				Total	Governmental
	Water Fund	Wastewater Fund	Electric Fund	Telecom- munications Fund		Internal Service Funds
Cash flows from operating activities:						
Receipts from customers and users	\$ 4,486,948	\$ 3,123,014	\$ 12,036,113	\$ 2,806,556	\$ 22,452,631	\$ 7,504,801
Payments to suppliers	(3,185,271)	(1,326,042)	(9,037,667)	(1,870,485)	(15,419,465)	(2,604,008)
Payments to employees	(1,151,525)	(652,425)	(1,822,681)	(638,804)	(4,265,435)	(4,022,110)
Net cash from operating activities	<u>150,152</u>	<u>1,144,547</u>	<u>1,175,765</u>	<u>297,267</u>	<u>2,767,731</u>	<u>878,683</u>
Cash flows from noncapital financing activities:						
Proceeds from (payment of) interfund and other loans						-
Transfers	-	-	(500,000)	500,000		-
Taxes collected	86,335	1,480,566	-	92,685	1,659,586	
Net cash from noncapital financing activities	<u>86,335</u>	<u>1,480,566</u>	<u>(500,000)</u>	<u>592,685</u>	<u>1,659,586</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(332,281)	(966,378)	(7,499)		(1,306,158)	(745,967)
Proceeds from issuance of debt						-
Proceeds from intergovernmental income						-
Principal paid on bonds, contracts and notes	(815,000)	(957,257)			(1,772,257)	
Interest paid on debt	(152,248)	(961,028)	-	(1,212,392)	(2,325,668)	
Tax Equivalents	(276,540)	(181,819)	(1,109,303)	(90,037)	(1,657,699)	
Net cash from capital and related financing activities	<u>(1,576,069)</u>	<u>(3,066,482)</u>	<u>(1,116,802)</u>	<u>(1,302,429)</u>	<u>(7,061,782)</u>	<u>(745,967)</u>
Cash flows from investing activities:						
Interest from investments and Other income	252,281	170,856	90,335	6,423	519,895	136,594
Net increase (decrease) in cash and investments	<u>(1,087,301)</u>	<u>(270,513)</u>	<u>(350,702)</u>	<u>(406,054)</u>	<u>(2,114,570)</u>	<u>269,310</u>
Cash and investments, beginning of year	<u>7,066,863</u>	<u>5,222,212</u>	<u>2,003,573</u>	<u>773,855</u>	<u>15,066,503</u>	<u>3,649,728</u>
Cash and investments, end of year	<u>\$ 5,979,562</u>	<u>\$ 4,951,699</u>	<u>\$ 1,652,871</u>	<u>\$ 367,801</u>	<u>\$ 12,951,933</u>	<u>\$ 3,919,038</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ (43,491)	\$ (444,524)	\$ 362,884	\$ (543,688)	\$ (668,819)	\$ 303,248
Depreciation and amortization	876,015	1,155,616	798,139	783,148	3,612,918	605,569
Change in assets and liabilities:						
(Increase) decrease in:						
Receivables	(44,564)	283,329	(59,250)	(15,875)	163,640	(16,183)
Inventories	20,633	(5,594)	37,163	(590)	51,612	11,273
Deferred charges	14,752			83,796	98,548	
Increase (decrease) in:						
Accounts payable and accrued liabilities	(763,499)	24,874	(4,307)	(18,002)	(760,934)	(74,473)
Other liabilities	90,306	130,846	41,136	8,478	270,766	49,249
Net cash from operating activities	<u>\$ 150,152</u>	<u>\$ 1,144,547</u>	<u>\$ 1,175,765</u>	<u>\$ 297,267</u>	<u>\$ 2,767,731</u>	<u>\$ 878,683</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF ASHLAND, OREGON
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2006

	Agency Fund
	Mt. Ashland
	Ski Area
	Agency Fund
 ASSETS	
Cash and investments	\$ 22,165
Total assets	22,165
 LIABILITIES	
Due to Mt. Ashland Association	22,165
Total liabilities	22,165
Change in net assets	-
Beginning net assets	-
Net Assets:	\$ -

The accompanying notes are an integral part of the basic financial statements.



**NOTES TO BASIC
FINANCIAL STATEMENTS**



CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Ashland, Oregon (the City) is a municipal corporation, governed by an elected mayor and a six-member council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements. There are no blended component units.

Discretely Presented Component Unit. The Parks and Recreation Commission (the Commission) was created by vote of qualified electors of the City of Ashland at a special election on December 15, 1908. By City Charter, the Commission has control over all park designated lands within the City. By City Charter, the Commission may not own any park lands within the City, but has responsibility for maintenance of parks and certain other facilities. The members of the Commission's governing Board are elected by the voters. However, the Commission is fiscally dependent upon the City because by state law and City Charter, the Commission budget and tax levy must be included as part of the City's. The City must also approve any debt issuance. Additionally, the City has ultimate financial responsibility for the Commission. The Commission is presented as a governmental fund type. Complete financial statements of the component unit may be obtained at the entity's administrative office.

B. Government-Wide and Fund Financial Statements

Governmental Accounting Standards Boards Statement 34 (GASBS 34). The new presentation of financial information required by GASBS 34 for Basic Financial Statements and Supplementary Information are described below and in the Management's Discussion and Analysis located earlier in this document.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (continued)

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting, and Basis of Presentation
(continued)**

which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The budgetary basis of accounting is the same as Generally Accepted Accounting Principles. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are accruable and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Street Fund accounts for the resources and operating expenditures related to the maintenance, operation and construction of the City's streets and storm water collection infrastructure. While a substantial portion of revenues come from user fees, the primary source is state shared highway funds.

The City reports the following major proprietary funds:

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting, and Basis of Presentation
(continued)**

The Water Fund accounts for the resources and expenses related to supply, treatment and distribution of water throughout the City. The primary source of revenue is user fees.

The Wastewater Fund accounts for the resources and expenses related to collection and treatment of wastewater throughout the City. The primary source of revenue is user fees.

The Electric Fund accounts for the resources and expenses related to distribution of electricity throughout the City. The primary source of revenue is user fees.

The Telecommunications Fund accounts for the resources and expenses related to cable television and high-speed data transmission services throughout the City. The primary source of revenue is user fees.

Additionally, the City reports the following fund types:

Internal Service Funds account for general and public works administration, finance, information services, and fleet management services primarily provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Additionally, the City reports the following fiduciary fund types:

The Agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for, using the accrual basis of accounting. The Agency fund is used to account for assets that the City holds for others in an agency capacity. The fund in this category includes the Mt. Ashland Ski Area.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting, and Basis of Presentation
(continued)**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payment-in-lieu of taxes and other charges between the City's various utility funds and the other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The enterprise and internal service funds are charges to customers for sales and services. Where applicable, enterprises also recognize as operating revenue the portion of System Development Charges intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources to the limits of the policies and statutes governing them first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity (continued)

1. Cash and Investments (continued)

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and the State Treasurer's Investment Pool.

Investments for the City, as well as for its component unit, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending and borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to \ from other funds". Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not expendable available financial resources.

All trade and property taxes receivable are shown at net of an allowance for uncollectibles. Trade accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 8 percent of outstanding property taxes at June 30, 2006.

Property taxes are levied as of July 1 on property assessed as of the same date. The tax levy is due November 15, with an optional payment method of 1/3 due November 15, 1/3 due January 15, and 1/3 due March 15. Taxes paid in full November 15 are provided a 3 percent discount. The billings are considered delinquent after the appropriate due date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity (continued)

2. Receivables and Payables (continued)

Notes and contracts receivable are recorded at par. Interest assessed is recorded as revenue when the payment becomes due.

3. Inventories and Prepaid Items

All inventories are stated at moving average cost. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets

Certain proceeds of the Water enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts not in the City's control and their use is limited by applicable bond covenants. The "Cash in transit" and "Cash with escrow agent" are used to segregate resources for provision of current and noncurrent debt service obligations.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g. streets, roads, bridges, sidewalks and similar public domain items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined in the City's capitalization policy (dated 1989) as having a historic cost or market value in excess of \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at their estimated fair market value at the date of the donation.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity (continued)

5. Capital Assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as a part of the capitalized value of the asset constructed. No interest was capitalized in the current accounting period.

Property, plant and equipment of the primary government, as well as the component unit, is depreciated using the straight-line method over the following estimated useful lives of the related assets:

Buildings and improvements	33 to 50 years
Electric power generation and distribution system	40 to 70 years
Water, wastewater and stormwater systems	15 to 50 years
Public domain infrastructure	15 to 25 years
Equipment	2 to 20 years

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, or are taken and paid from current resources.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity (continued)

7. Long Term Obligations (continued)

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bonding premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Reservations of Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budgets are adopted for all funds on a basis consistent with generally accepted accounting principles for governmental funds, except the Mt. Ashland Ski Area Agency Fund. The City Council resolution adopting the budget and authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are at the department (organizational unit) level for funds with more than one department and by total personal services, materials and services, capital outlay, debt service, transfers, and contingency for those funds with only one department or function.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (continued)

The detail budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories.

Unexpected additional resources may be added to the budget through the use of a supplemental budget. The supplemental budget process requires hearings before the public, publications in newspapers, and approval by the City Council. Original and supplemental budgets may be modified only by the City Council by the use of appropriation transfers between the levels of control. In addition, Oregon Local Budget Law provides certain specific exceptions to the supplemental budget process to increase appropriations. Such transfers and increases require approval by the City Council by adoption of a resolution. Budget appropriation amounts shown in the financial statements include the original and revised budget appropriations as approved by the City Council. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapse at year end. During 2005-2006, the City made two appropriation transfers, as well as four supplemental budgets by adoption of resolutions.

B. Excess of Expenditures Over Appropriations

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2006.

C. Deficit Fund Equity

The Telecommunications Fund enterprise fund has a deficit balance of \$6,629,940 as of June 30, 2006. The Fund ended its qualified startup period as a new cable television business, under FAS 51, on April 30, 2001, the business plan anticipates deficits to occur during the initial years of operation. The deficit will be eliminated in future years as the business and customer base matures and other revenue streams are provided by the City.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

	Total Primary Government	Component Unit	Total
		Parks and Recreation	
Petty Cash	\$ 3,010		\$ 3,010
Deposits with financial institutions	2,010,120		2,010,120
Deposit with registered or billing agent	68,467		68,467
Investments	20,618,246	\$ 1,874,507	22,492,753
	<u>\$ 22,699,843</u>	<u>\$ 1,874,507</u>	<u>\$ 24,574,350</u>
Governmental - unrestricted	\$ 22,226,006		
Governmental - restricted	451,672		
Fiduciary	22,165		
	<u>\$ 22,699,843</u>		

DEPOSITS

State statutes require that the City obtain from its depositories a certificate of participation for the full amount of the City's deposits that exceed FDIC coverage. The depositories are required to pledge, with an independent collateral pool manager, as agent for the City, securities in the City's name at least equal to twenty-five percent of the face value of the certificate of participation issued to the City. The City's deposits at year-end were covered, as required by law, by federal depository insurance or by certifications of participation backed by securities held by financial institutions acting as agents for the City in the City's name.

Deposits consist of bank demand deposits. The carrying amount of deposits is \$2,010,120. The total bank balance per the bank statements is \$2,609,267. Of these deposits, \$201,000 is covered by federal depository insurance and \$602,067 is collateralized by securities held by financial institutions acting as agents for the City in the City's name, and the remaining is uninsured and uncollateralized. At June 30, 2006, the collateral was sufficient to meet the requirements of Oregon Law.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (continued)

INVESTMENTS

Policies officially adopted by the City's Board allows the entity to invest in: U.S. Treasury Obligations (Bills, notes and bonds), U.S. Government Agency Securities and Instrumentalities of Government Sponsored Corporations, Bankers' Acceptances (BA's), Certificates of Deposit (Commercial Banks which have a branch in Oregon & Savings & Loan Associations which have a branch in Oregon), State & Local Government Securities, Commercial Paper (A1, AA,P1), State of Oregon Investment Pool, and Repurchase Transactions.

The State Treasurer's investment policies are governed by Oregon Revised Statutes and the Oregon Short-Term Fund Board (OSTFB). There were no known violations of legal or contractual provisions for deposits.

As of June 30, 2006, the City had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-59
Certificates of Deposit	\$ 500,000	\$ 500,000	\$ -	\$ -
US Government Securities	3,875,000	500,000	2,375,000	1,000,000
State Treasurer's investment pool	18,117,753	18,117,753	-	-
Total	<u>\$22,492,753</u>	<u>\$19,117,753</u>	<u>\$2,375,000</u>	<u>\$ 1,000,000</u>

Investments are valued at fair value as required by GASB 31. There is no material difference between fair value of the City's position in the State Treasurer's Local Governmental Investment Pool and the value of the pool shares at June 30, 2006.

Interest Rate Risk

As a means of limiting its exposure to fair value losses resulting from rising interest rates, City's investment policy allows only the purchase of investments that can be held to maturity. Investments cannot be made predicated upon selling the security prior to maturity.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (continued)

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB.

The City limits investment maturities as follows:

1. Under 30 days 10% minimum
2. Under 90 days 25% minimum
3. Under 270 days 50% minimum
4. Under 1 year 75% minimum
5. Under 18 months 80% minimum
6. Under 3 years 100% minimum

Credit Risk

Neither the Oregon Revised Statutes nor the City's investment policy limits investments as to credit rating for securities purchased from U.S. Government Agencies. The City's investments in U.S. Government Agencies were rated AAA by Standard & Poor's and Aaa by Moody's Investor Service. The State Pool is unrated.

Oregon Revised Statutes require bankers' acceptances to be guaranteed by and carried on the books of, a qualified financial institution, eligible for discount by Federal Reserve System, and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

Concentration of Credit Risk

To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the City's investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2006 the City was in compliance with all percentage restrictions.

Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. Amounts in the State Treasurer's Local Government Investment Pool are not required by law to be collateralized.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (continued)

No more than the stated percentage of the overall portfolio will be invested in each of the following categories of securities:

U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities of Government Sponsored Corp.	100%
Bankers' Acceptances (BA's)	50%
Certificates of Deposit (CD)	35%
State & Local Government Securities	35%
Repurchase Transactions	25%
Commercial Paper (AA,A1,P1)	10%
State of Oregon Investment Pool Securities	100%

B. Receivables

Receivables, as of year end for the government's individual major funds and nonmajor, internal service in aggregate, including the applicable allowances for uncollectable accounts, are as follows:

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes Receivable:		
General Fund	\$ 147,043	\$
Debt Service Fund	27,012	
Installment notes receivable	757,956	
Ambulance billing	138,101	
Fire-Med insurance premiums		12,700
Special Assessments not yet due:		
Unbonded-Street Fund	144,306	
Other	2,628	
	<u>\$1,217,046</u>	<u>\$ 12,700</u>

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Additions & Reclasses	Retirements & Reclasses	Balance June 30, 2006
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 8,287,911	\$ 271,701	\$ -	\$ 8,559,612
Construction in progress	9,744,570	798,324	9,744,571	798,323
Total capital assets, not being depreciated	18,032,481	1,070,025	9,744,571	9,357,935
Buildings	9,109,502	10,475,633	21,897	\$ 19,563,238
Improvements other than buildings	37,015,517	4,167,055	135,383	41,047,189
Machinery and equipment	11,771,045	1,300,109	665,972	12,405,182
Total capital assets, being depreciated	57,896,064	15,942,797	823,252	73,015,609
Less accumulated depreciation for:				
Buildings	(3,649,992)	(99,860)	11,562	(3,738,290)
Improvements other than buildings	(19,920,452)	(1,121,609)	550,006	(20,492,055)
Machinery and equipment	(8,381,644)	(981,905)	86,944	(9,276,605)
Total accumulated depreciation	(31,952,088)	(2,203,374)	648,512	(33,506,950)
Total capital assets being depreciated, net	25,943,976	13,739,423	174,740	39,508,659
Governmental activities capital assets, net	<u>\$ 43,976,457</u>	<u>\$ 14,809,448</u>	<u>\$ 9,919,311</u>	<u>\$ 48,866,594</u>

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (continued)

	Balance June 30, 2005	Additions & Reclasses	Retirements & Reclasses	Balance June 30, 2006
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 1,945,107	\$ -	\$ -	\$ 1,945,107
Construction in progress	4,472,229	2,998,341	4,472,229	2,998,341
Total capital assets, not being depreciated	6,417,336	2,998,341	4,472,229	4,943,448
Buildings	23,113,447	-	1,331,259	21,782,188
Machinery and equipment	675,297	28,460	67,654	636,103
Improvements other than buildings	79,057,892	2,722,594	1,475,206	80,305,280
Total capital assets, being depreciated	102,846,636	2,751,054	2,874,119	102,723,571
Less accumulated depreciation:				-
Buildings	(1,091,686)	(1,637,114)	685,527	(2,043,273)
Machinery and equipment	(482,059)	(90,775)	59,793	(513,041)
Improvements other than buildings	(25,042,981)	(1,885,029)	680,989	(26,247,021)
Total accumulated depreciation	(26,616,726)	(3,612,918)	1,426,309	(28,803,335)
Total capital assets being depreciated, net	76,229,910	(861,864)	1,447,810	73,920,236
Business-type activities capital assets, net	\$ 82,647,246	\$ 2,136,477	\$ 5,920,039	\$ 78,863,684

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 570,751
Public Safety	1,144,478
Highways and Streets	488,145
	\$ 2,203,374

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (continued)

Construction Commitments

The government has active construction projects as of June 30, 2006. The projects include construction of various infrastructure improvements and additions to the transportation, storm water, water, wastewater and telecommunications systems. The City has remaining commitments under construction contracts of approximately \$3,642,296 at June 30, 2006.

D. Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ 25,451	\$ 500
Electric Fund		500,000
Telecommunications Fund	500,000	
Nonmajor Governmental	322,329	347,280
Total	\$ 847,780	\$ 847,780

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental	214,877
Water	Nonmajor Governmental	80,000
		\$ 294,877

The internal transfers are budgeted and recorded to show legal and operational commitments between funds such as cost sharing or debt service. Interfund loans are used to assure adequate fund balances in funds where operations do not currently (on a short term basis) generate enough support through revenues. In the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds, there is a \$215,000 prior period adjustment that eliminates a budget to GAAP reporting difference for Interfund Loans.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt

1. Unbonded Long-Term Debt (Notes and Contracts)

The government entered into promissory note agreements for financing the acquisition of several land parcels, construction of a three level parking structure, federally mandated construction of wastewater treatment facilities, and startup construction and operation of the fiber optic network. The original amount of all promissory notes issued in prior years was \$38,720,613.

The promissory notes are funded by various sources: open space land acquisition by prepared food and beverage tax, the parking structure by revenue generated from parking fees, the wastewater treatment facility by both prepared food and beverage tax, System Development Charges and user rates, and Ashland Fiber Network by user fees with the pledge of the Electric fund revenues as collateral.

Promissory Notes outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Government activities	5.5-8.5%	461,864
Government activities	8.00%	227,253
Government activities	4.40%	1,096,434
Government activities	5.00%	824,358
Government activities	4.68%	298,309
Business-type activities	4.20%	20,702,256
		<u>\$ 23,610,475</u>

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

1. Unbonded Long-Term Debt (Notes and Contracts)

Promissory note debt service requirement to maturity is as follows:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	328,195	146,059	990,373	701,667
2008	312,058	129,336	1,024,634	667,406
2009	581,116	114,057	1,060,081	631,959
2010	294,520	87,224	1,096,753	595,287
2011	298,842	73,150	1,134,694	557,346
2012-2016	548,540	218,395	6,290,150	2,170,050
2017-2021	208,010	130,086	7,456,089	1,004,111
2022-2026	272,893	65,203	1,649,482	42,554
2027-2028	64,046	3,574	-	-
	<u>\$ 2,908,219</u>	<u>\$ 967,082</u>	<u>\$ 20,702,256</u>	<u>\$ 6,370,380</u>

2. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$24,201,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds consist of a 30-year serial bond with equal amount of principal maturing each year, and four issues with varying principal payments due over 12 to 20 years. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Government activities	5.0-5.875%	565,000
Government activities	3.75-4.65%	155,000
Government activities	3.5-5.0%	2,560,000
Business-type activities	5.0-7.0%	60,000
Business-type activities	3.7-6.02%	15,500,000
Business-type activities-refunding	3.75-4.65%	940,000
		<u>\$ 19,780,000</u>

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

2. General Obligation Bonds (continued)

Future maturities of bond principal and interest at June 30, 2006, are as follows:

Year Ending June 30,	1977 Water GO Bonds		1997 Flood and Refunding GO Bonds		2004 Full Faith and Credit	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 25,000	\$ 14,950	\$ 215,000	\$ 44,334	\$ -	\$ 864,454
2008	25,000	13,650	225,000	34,708	195,000	860,849
2009	10,000	12,350	150,000	26,458	450,000	848,303
2010			160,000	19,558	605,000	826,378
2011			170,000	12,048	630,000	798,744
2012-16			175,000	4,069	3,675,000	3,467,103
2017-2021					4,865,000	2,278,773
2022-2026					5,080,000	634,418
	<u>\$ 60,000</u>	<u>\$ 40,950</u>	<u>\$ 1,095,000</u>	<u>\$ 141,173</u>	<u>\$ 15,500,000</u>	<u>\$ 10,579,022</u>

Year Ending June 30,	2000 GO Bonds		2005 GO Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 130,000	\$ 29,685	\$ -	\$ 112,725	\$ 370,000	\$ 1,066,147
2008	140,000	22,990	-	112,725	585,000	1,044,921
2009	145,000	15,710	100,000	112,725	855,000	1,015,545
2010	150,000	8,025	110,000	109,225	1,025,000	963,186
2011			275,000	105,375	1,075,000	916,167
2012-16			1,100,000	387,625	4,950,000	3,858,797
2017-2021			975,000	124,750	5,840,000	2,403,523
2022-2026					5,080,000	634,418
	<u>\$ 565,000</u>	<u>\$ 76,410</u>	<u>\$ 2,560,000</u>	<u>\$ 1,065,150</u>	<u>\$ 19,780,000</u>	<u>\$ 11,902,704</u>

3. Revenue Bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original issue in 1994 was for construction of a 3.5 million gallon reservoir and upgrade of existing and addition of distribution infrastructure. In 2003 the remaining 2.75 million of these bonds were defeased with the issuance of 5.625 million for infrastructure construction and refunding of the original issue. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Water	2.0-4.0%	\$ 4,640,000

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

3. Revenue Bonds (continued)

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2007	325,000	134,006
2008	335,000	127,406
2009	335,000	120,288
2010	345,000	112,206
2011	360,000	102,944
2012-2016	1,685,000	349,447
2017-2021	865,000	157,796
2022-2026	390,000	15,681
	<u>\$ 4,640,000</u>	<u>\$ 1,119,774</u>

4. Advance and Current Refundings

The government issued \$2,040,000 in 1992 and \$1,720,010 in 1997 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$1,870,000 and \$1,625,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$265,010. This amount was netted against the new debt and amortized over the life of the refunded debt, which was shorter than the life of the new debt issued. These advance refundings were undertaken to reduce total debt service payments by \$363,644 and \$266,087 respectively over the term of the bonds and resulted in an economic gain of \$364,741.

The government issued \$2,952,833 in June, 2003, of revenue bonds to provide resources to purchase US Government, State and Local securities that were placed in trust for the purpose of generating resources for all future debt service payments of \$2,750,000 in revenue bonds issued in 1984. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$202,833. This amount was netted against the new debt and amortized over the life of the refunded debt, which was shorter than the life of the new debt issued. This advance

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

4. Advance and Current Refundings (continued)

refunding was undertaken to reduce total debt service payments by \$386,048 over the term of the bonds and resulted in an economic gain of \$738,505.

On August 11, 2004, the government issued \$15,500,000 in taxable general obligation revenue bonds backed by the full faith and credit of the City. The proceeds were used to pay off existing bank loans for \$4,832,000 and \$2,520,000 borrowed to construct the Ashland Fiber Network. The total interest cost on the bonds is calculated at 5.99% as compared to the bank loans interest rates of 5.14% and 7.01% respectively. Taxable bonds with a longer life than the loans were issued to consolidate bank loans with \$7.0 million in internal borrowing for operational losses to provide flexibility in use of proceeds and operations, not for economic gains.

The City issued \$2,560,000 in General Obligation bonds refunding a portion of the City's General Obligation Bonds, Series 1997 and Series 2000 bonds on December 1, 2005, with an interest rate ranging from 3.5% to 5.0% over the fifteen year life. The refunding resulted in a \$121,962 (4.41%) net present value savings. Moody's assigned an "Aaa" rating to the bonds due to the fact that the bonds are insured by Financial Security Assurance, Inc. The underlying rating to these bonds was "A2."

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation	\$ 3,050,000	\$ 2,560,000	\$ 2,330,000	\$ 3,280,000	\$ 200,000
Total bonds payable	3,050,000	2,560,000	2,330,000	3,280,000	200,000
Notes on Contracts	3,295,074	-	378,300	2,916,774	340,000
Special assessments payable	-	-	-	-	-
Claims and judgements	378,822	71,000	325,462	124,360	50,000
Government activities					
Long-term liabilities	<u>\$ 6,723,896</u>	<u>\$ 2,631,000</u>	<u>\$ 3,033,762</u>	<u>\$ 6,321,134</u>	<u>\$ 590,000</u>
Business-type Activities:					
Bonds Payable:					
General obligation	\$ 16,995,000	\$ -	\$ 495,000	\$ 16,500,000	\$ 160,000
Revenue	4,960,000	-	320,000	4,640,000	325,000
Total bonds payable	21,955,000	-	815,000	21,140,000	485,000
Notes and Contracts	21,659,513	-	957,257	20,702,256	990,373
Business-type Activities					
Long-term liabilities	<u>\$ 43,614,513</u>	<u>\$ -</u>	<u>\$ 1,772,257</u>	<u>\$ 41,842,256</u>	<u>\$ 1,475,373</u>

Internal service funds predominantly serve governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$177,370 of internal service fund compensated absences, and \$124,360 of internal service fund claims and judgements are included in the above amounts.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Restricted Assets

The balances of the restricted asset accounts in the governmental and business-type are as follows:

	<u>General Government</u>	<u>Business-type Activities</u>
Unused System Development Charges:		
Street Fund	\$ 1,597,642	\$ -
Capital Improvements Fund	65,675	-
Water Fund	-	2,464,236
Wastewater Fund	-	1,787,477
	<u>\$ 1,663,317</u>	<u>\$ 4,251,713</u>

G. Compensated Absences

The General fund typically is used to liquidate the compensated absences for governmental funds. The balances of the compensated absences accounts in the governmental and business-type are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within a Year
Governmental Activities:	\$ 287,757	\$ 524,407	\$ 287,757	\$ 524,407	\$ 131,102
Business-Type Activities:	213,781	239,704	213,781	239,704	59,926
Total Compensated Absences Payable	<u>\$ 501,538</u>	<u>\$ 764,111</u>	<u>\$ 501,538</u>	<u>\$ 764,111</u>	<u>\$ 191,028</u>

IV. OTHER INFORMATION

A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; workers' compensation; and post retirement benefits for which the government is self-insured to defined levels. The government has established limited risk management programs for liability and workers compensation. The government purchases re-insurance above defined loss levels in each program. Premiums are paid into the Insurance Services internal service fund by all other funds, component units, and potential component units, and are available to pay claims, claim reserves, and administrative costs of the programs. These interfund and agency premiums are used to offset the amount of claims expenditures reported. As of June 30, 2006, such premiums did not exceed paid claims and reserves.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (continued)

Effective April 1, 2004, the potential component unit, Ashland Community Health Care (ACH), established a separate workers' compensation self insurance fund and their potential liability has been removed.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, change in legal doctrines, and damage awards.

Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. Liability claims have a seven year statute of limitations and open claims, not in litigation, are frozen. An excess insurance policy covers claims after an aggregate annual settlement of \$50,000. Settlements have exceeded coverages in each of the last three fiscal years. Workers' compensation claims are carried and reviewed from the date of self-insurance, July 1, 1989. An excess insurance policy covers individual claims in excess of \$300,000. No settlements have exceeded coverages. Changes in the balances of claims liability during the past two years are as follows:

	Year ended <u>June 30, 2006</u>	Year ended <u>June 30, 2005</u>
Unpaid claims, beginning of fiscal year	\$ 378,822	\$ 342,781
Incurred claims (including IBNRs)	71,000	53,397
Claim Payments	<u>(325,462)</u>	<u>(17,356)</u>
Unpaid claims, end of fiscal year	<u>\$ 124,360</u>	<u>\$ 378,822</u>

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts to be immaterial.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

IV. OTHER INFORMATION (CONTINUED)

B Contingent Liabilities (continued)

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect of the financial condition of the government.

The City leases, under agreement with the Forest Service, land that is a designated ski area to the Mt. Ashland Association (Ski Ashland), a non-profit organization, to conduct skiing activities. The permit with the Forest Service and the lease agreement recognize the need for reclamation of the area should skiing operations cease and the City, as the permit holder, is the responsible party. The lease agreement between the City of Ashland and Mt. Ashland Association estimates the cost of reclamation to be \$288,000 at June 30, 2006, and requires Ski Ashland to maintain sufficient liquid assets to cover that cost.

The City leases property to Ashland Community Hospital per a July 1, 1996, agreement when the hospital operation transitioned from a department to a non-profit service provider. As part of the lease agreement, the City maintained ownership of land, buildings and certain equipment and those assets are included within the City's governmental net fixed asset amounts. On January 13, 2004, the City agreed to subordinate rights to leased property in order for the hospital to borrow \$10,000,000 for expansion.

C. Other Postemployment Benefits

In addition to providing pension benefits, the City provides certain benefits for 16 retired City employees who completed a minimum of 15 years employment with the City. The City pays a monthly stipend from the retiree's fifty-eighth birthday or date of retirement, whichever is later, until the retiree's death. These benefit obligations are required by labor bargaining agreements and the exempt employee ordinance. The cost of retiree benefits is recognized as an expense in the Insurance Services Fund (an Internal Service Fund) when eligible employees retire. The amount advance funded at retirement is based solely on the City's estimate.

For fiscal year 2006, costs advanced funded total \$473,367, and are recorded in the Insurance Services Fund. The City has funded the estimated amount of benefits that will be payable in the future to eligible

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits (continued)

retirees. At present, the entire estimated liability is fully funded, and the City expects to fully fund future increases in this liability.

Fiscal Year	Number of Retirees Covered	Benefits Paid
2005-06	17	\$ 33,390
2004-05	16	23,903
2003-04	15	24,452
2002-03	15	21,251
2001-02	15	20,400
2000-01	14	16,928
1999-00	13	11,212
1998-99	14	13,146
1997-98	19	18,744
1996-97	15	12,338
1995-96	13	10,222

Significant assumptions used in the estimate include (a) a rate of return on the investment of present and future assets of 6.0%, and (b) annual rate increases of 4.0%.

D. Employee Retirement System and Pension Plan

The City contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, post employment health care benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238. ORS 238.620 establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700 or by calling 1-503-598-7377.

Funding policy. Plan members are required to contribute 6% of their annual covered salary. The City is required by ORS 238.225 to contribute at an actuarially determined rate(s). In 2003 the Oregon Legislature revised OPERF operations and how benefits for existing and new employees is calculated and funded.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement System and Pension Plan (continued)

Accordingly, employers may now have two rates to use in calculating the amount owed to fund the liabilities of employees benefits in OPERF and the new plan established in 2003 called Oregon Public Service Retirement Plan (OPSRP) and the current rates are 10.39% and 8.04% respectively of annual covered payroll. The City has "picked up" employee contributions at a rate of 6%, as allowed under Oregon law. The contribution requirement of plan members and their employers are established under ORS Chapter 238, and may be amended by an act of the Oregon legislature. The City elected to join the Local Government Rate Pool in 2000 and the State & Local Rate Pool in 2002 to minimize annual variances in employer rates.

For 2005-06, the City's annual pension cost of \$1,958,234 was equal to the City's required and actual contributions. This consisted of \$679,438 picked up and paid by the City on behalf of employees, and \$1,278,796 paid by the City. The required contribution was determined as part of the December 31, 2003, actuarial valuation, using the entry age actuarial cost method. The Unfunded Actuarial Liability, if any, is amortized as a level percentage of covered payroll over a twenty year period on an open basis. The actuarial assumptions include (a) 8% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.25% per year attributable to general wage adjustments, with additional increases for promotion and longevity that vary by age and services, and (c) 2% per year cost-of-living adjustments. The underlying rate of inflation is 3.5% per year.

Three-Year Trend Information for PERS

<u>GASB Statement No. 27 Required Disclosures</u>			
Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/2004	1,668,950	100%	-
06/30/2005	1,771,341	100%	-
06/30/2006	1,958,234	100%	-

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

IV. OTHER INFORMATION (CONTINUED)

E. Subsequent Events

On June 6, 2006, City Council approved the transfer of the \$15,500,000 in General Obligation backed revenue bonds from the Telecommunication Fund to the Debt Service Fund. This was done to recognize the commitment to pay debt service on this issuance with general revenues of the city rather than rate revenue from the enterprise fund. The budget and financial reports for future years will reflect this change.

F. Deferred Charges

Deferred Charges resulted from the start up cost associated with the Ashland Fiber Network (AFN) under FAS 51, the development stage revenues and expenses have been deferred and will be amortized over the estimated life of the system infrastructure.

The balance is as follows at June 30, 2006:

Startup Costs	\$ 1,861,076
Less accumulated amortization	<u>582,683</u>
	<u><u>\$ 1,278,393</u></u>



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the year ended June 30, 2006

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 8,517,028	\$ 8,971,298	\$ 8,971,298	(454,270)
Fees, licenses and permits	1,106,317	1,682,463	1,682,463	(576,146)
Intergovernmental	810,908	455,496	675,647	135,261
Charges for services	1,504,874	1,395,374	1,395,374	109,500
Fines and forfeitures	137,460	152,440	152,440	(14,980)
Interest on investments	75,021	35,525	35,525	39,496
Miscellaneous	475,871	37,605	37,605	438,266
Total revenues	12,627,479	12,730,201	12,950,352	(322,873)
Expenditures:				
General government:				
Administration	104,838	107,865	107,865	3,027
Finance:				
Band	50,049	59,680	59,680	9,631
Social services	110,090	112,000	112,000	1,910
Economic development	474,186	458,970	475,970	1,784
Public Works:				
Cemetery	277,497	309,483	309,483	31,986
Community Development:				
Planning	1,104,472	1,190,895	1,190,895	86,423
Building	668,663	737,511	737,511	68,848
Senior programs		-	-	-
Miscellaneous	37,448	41,000	41,000	3,552
Total general government	2,827,243	3,017,404	3,034,404	207,161
Public safety:				
Police	4,606,337	4,735,909	4,835,909	229,572
Municipal Court	352,776	363,537	363,537	10,761
Fire and Rescue	4,632,526	4,769,452	5,050,329	417,803
Total public safety	9,591,639	9,868,898	10,249,775	658,136
Contingency	-	350,000	172,274	172,274
Total expenditures	12,418,882	13,236,302	13,456,453	1,037,571
Excess (deficiency) of revenues over expenditures	208,597	(506,101)	(506,101)	714,698
Other financing sources (uses):				
Interfund Loans		-	-	-
Transfers in	25,451	229,400	229,400	(203,949)
Transfers out	(500)	(500)	(500)	-
Total other financing sources (uses)	24,951	228,900	228,900	(203,949)
Net Change in Fund Balance	233,548	(277,201)	(277,201)	510,749
Fund balance, July 1, 2005	2,093,388	1,329,184	1,329,184	764,204
Fund balance, June 30, 2006	\$ 2,326,936	\$ 1,051,983	\$ 1,051,983	\$ 1,274,953

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET FUND
For the year ended June 30, 2006

	Actual	Budget Amounts		Variance with
		Original	Final	Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 264,072	\$ 250,000	\$ 250,000	\$ 14,072
Intergovernmental	1,209,249	1,243,626	1,243,626	(34,377)
Charges for services	1,298,564	1,332,477	1,332,477	(33,913)
System Development Charges	388,654	456,290	456,290	(67,636)
Assessments	359,810	103,000	103,000	256,810
Interest on investments	50,259	15,450	15,450	34,809
Miscellaneous	14,930	11,878	11,878	3,052
Total revenues	3,585,538	3,412,721	3,412,721	172,817
Expenditures:				
Highways and streets:				
Operations and Maintenance	2,175,734	2,568,041	2,433,041	257,307
Storm Water	553,415	790,755	790,755	237,340
Transportation SDC's	109,746	243,040	243,040	133,294
Storm Water SDC's	153,357	214,206	214,206	60,849
Local Improvement Districts	45,270	384,940	384,940	339,670
Total highways and streets	3,037,522	4,200,982	4,065,982	1,028,460
Contingency		145,000	10,000	10,000
Total expenditures	3,037,522	4,345,982	4,075,982	1,038,460
Excess (deficiency) of revenues over expenditures	548,016	(933,261)	(663,261)	1,211,277
Other financing sources (uses):				
Interfund loans	(270,000)		(270,000)	-
Interfund loans		1,200,000	1,200,000	(1,200,000)
Total other financing sources (uses)	(270,000)	1,200,000	930,000	(1,200,000)
Net Change in Fund Balance	278,016	266,739	266,739	11,277
Fund balance, July 1, 2005	1,186,028	466,334	466,334	719,694
Fund balance, June 30, 2006	\$ 1,464,044	\$ 733,073	\$ 733,073	\$ 730,971

SUPPLEMENTARY INFORMATION
(Combining and Individual Fund
Statements and Other Financial Schedules)



**CITY OF ASHLAND, OREGON
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2006**

	Governmental Fund Types				Permanent Fund Type	Total Other Governmental (Compilation Only)
	CDBG Fund	Airport Fund	Debt Service Fund	Capital Improvements Fund	Cemetery Trust Fund	
ASSETS						
Cash and cash equivalents	\$ 175,649	\$ 52,126		\$ 724,952	\$ 717,682	\$ 1,670,409
Receivables (net of allowance for uncollectibles)	47,500	4,944	394,766	492,709	1,747	941,666
Cash - restricted			451,672			451,672
Total assets	\$ 223,149	\$ 57,070	\$ 846,438	\$ 1,217,661	\$ 719,429	\$ 3,063,747
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 3,673	\$ 2,196		\$ 14,236		\$ 20,105
Deferred revenue			387,343	400,254		787,597
Due to other Funds	214,877	-				214,877
Liabilities payable from restricted assets						-
Total liabilities	218,550	2,196	387,343	414,490	-	1,022,579
Fund Balances:						
Reserved for:						
Reserved for system development charges				(65,675)		(65,675)
Reserved for debt service			459,095			459,095
Reserved for perpetual care					719,429	719,429
Unreserved:						
Special revenue funds		54,874				54,874
Capital projects funds	4,599			868,846		873,445
Total equity and other credits	4,599	54,874	459,095	803,171	719,429	2,041,168
Total liabilities and fund balances	\$ 223,149	\$ 57,070	\$ 846,438	\$ 1,217,661	\$ 719,429	\$ 3,063,747

CITY OF ASHLAND, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the year ended June 30, 2006

	Governmental Fund Types				Permanent	Total Other Governmental (Compilation Only)
	CDBG Fund	Airport Fund	Debt Service Fund	Capital Improvements Fund	Cemetery Nonexpendable Trust Fund	
Revenues:						
Taxes			\$ 303,558	\$ 370,141		\$ 673,699
Intergovernmental	141,500	7,216				148,716
Special assessments			1,050			1,050
Charges for services		98,280	124,623	385,007	17,936	625,846
Interest on investments		1,317	18,599	30,232	22,532	72,680
Miscellaneous		575	51,040	10,377	1,283	63,275
Total revenues	<u>141,500</u>	<u>107,388</u>	<u>498,870</u>	<u>795,757</u>	<u>41,751</u>	<u>1,585,266</u>
Expenditures:						
General government	128,409	135,456		595,311		859,176
Debt service			785,446			785,446
Total expenditures	<u>128,409</u>	<u>135,456</u>	<u>785,446</u>	<u>595,311</u>	<u>-</u>	<u>1,644,622</u>
Excess (deficiency) of revenues over expenditures	<u>13,091</u>	<u>(28,068)</u>	<u>(286,576)</u>	<u>200,446</u>	<u>41,751</u>	<u>(59,356)</u>
Other financing sources (uses):						
Interfund Loans		(40,000)				(40,000)
Transfers in			321,829		500	322,329
Transfers out				(321,829)	(25,451)	(347,280)
Total other financing sources (uses)	<u>-</u>	<u>(40,000)</u>	<u>321,829</u>	<u>(321,829)</u>	<u>(24,951)</u>	<u>(64,951)</u>
Net Change in Fund Balance	13,091	(68,068)	35,253	(121,383)	16,800	(124,307)
Fund balance (deficit), July 1, 2005	<u>(8,492)</u>	<u>122,942</u>	<u>423,842</u>	<u>924,554</u>	<u>702,629</u>	<u>2,165,475</u>
Fund balance, June 30, 2006	<u>\$ 4,599</u>	<u>\$ 54,874</u>	<u>\$ 459,095</u>	<u>\$ 803,171</u>	<u>\$ 719,429</u>	<u>\$ 2,041,168</u>

Reconciliation to Net Assets:

Interfund Loans	<u>\$ (80,000)</u>
	<u>\$ 1,961,168</u>

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
For the year ended June 30, 2006

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Intergovernmental	\$ 141,500	\$ 357,082	\$ 357,082	\$ (215,582)
Miscellaneous		215,000	215,000	(215,000)
	<u>141,500</u>	<u>572,082</u>	<u>572,082</u>	<u>(430,582)</u>
Expenditures:				
General government:				
Personal services	33,600	33,600	33,600	-
Materials and services	<u>94,809</u>	<u>325,500</u>	<u>325,500</u>	<u>230,691</u>
Total general government	<u>128,409</u>	<u>359,100</u>	<u>359,100</u>	<u>230,691</u>
Excess (deficiency) of revenues over expenditures	<u>13,091</u>	<u>212,982</u>	<u>212,982</u>	<u>(199,891)</u>
Other financing sources (uses):				
Interfund Loan		<u>(215,000)</u>	<u>(215,000)</u>	<u>215,000</u>
Total other financing sources (uses)	<u>-</u>	<u>(215,000)</u>	<u>(215,000)</u>	<u>215,000</u>
Net Change in Fund Balance	13,091	(2,018)	(2,018)	15,109
Fund balance, July 1, 2005	<u>(8,492)</u>	<u>2,018</u>	<u>2,018</u>	<u>(10,510)</u>
Fund balance, June 30, 2006	<u>\$ 4,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,599</u>

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
AIRPORT FUND

For the year ended June 30, 2006

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Intergovernmental	\$ 7,216	\$ -	\$ -	\$ 7,216
Charges for services	98,280	124,495	124,495	(26,215)
Interest on investments	1,317	500	500	817
Miscellaneous	575	2,000	2,000	(1,425)
Total revenues	<u>107,388</u>	<u>126,995</u>	<u>126,995</u>	<u>(19,607)</u>
Expenditures:				
General government:				
Materials and services	<u>100,384</u>	<u>105,934</u>	<u>105,934</u>	<u>5,550</u>
Total general government	100,384	105,934	105,934	5,550
Capital outlay		-	-	-
Debt Service	35,072	35,173	35,173	101
Contingency		<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Total expenditures	<u>135,456</u>	<u>146,107</u>	<u>146,107</u>	<u>10,651</u>
Excess (deficiency) of revenues over expenditures	<u>(28,068)</u>	<u>(19,112)</u>	<u>(19,112)</u>	<u>(8,956)</u>
Other financing sources (uses):				
Interfund Loan	<u>(40,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>160,000</u>
Total other financing sources (uses)	<u>(40,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>160,000</u>
Net Change in Fund Balance	(68,068)	(219,112)	(219,112)	151,044
Fund balance, July 1, 2005	<u>122,942</u>	<u>256,772</u>	<u>256,772</u>	<u>(133,830)</u>
Fund balance, June 30, 2006	<u>\$ 54,874</u>	<u>\$ 37,660</u>	<u>\$ 37,660</u>	<u>\$ 17,214</u>

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
For the year ended June 30, 2006

	Actual	Budget Amounts		Variance with
		Original	Final	Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 303,558	\$ 124,000	\$ 124,000	\$ 179,558
Charges for services	124,623	290,000	290,000	(165,377)
Special assessments	1,050	200,000	200,000	(198,950)
Interest on investments	18,599	18,000	18,000	599
Miscellaneous	51,040	29,300	29,300	21,740
Total revenues	498,870	661,300	661,300	(162,430)
Expenditures:				
Debt service:				
Bancroft	-	200,000	200,000	200,000
General Obligation	327,738	373,601	373,601	45,863
Notes and Contracts	457,708	451,263	451,263	(6,445)
Total expenditures	785,446	1,024,864	1,024,864	239,418
Excess (deficiency) of revenues over expenditures	(286,576)	(363,564)	(363,564)	76,988
Other financing sources (uses):				
Transfers in	321,829	321,829	321,829	-
Total other financing sources (uses)	321,829	321,829	321,829	-
Net Change in Fund Balance	35,253	(41,735)	(41,735)	76,988
Fund balance, July 1, 2005	423,842	610,940	610,940	(187,098)
Fund balance, June 30, 2006	\$ 459,095	\$ 569,205	\$ 569,205	\$ (110,110)

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS FUND
For the year ended June 30, 2006

	Actual	Budget Amounts		Variance with
		Original	Final	Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 370,141	\$ 360,500	\$ 360,500	\$ 9,641
Charges for services	279,814	142,340	142,340	137,474
System Development Charges	105,193	115,360	115,360	(10,167)
Interest on investments	30,232	9,643	9,643	20,589
Miscellaneous	10,377	7,250	7,250	3,127
Total revenues	795,757	635,093	635,093	160,664
Expenditures:				
General government:				
Materials and services	739	30,052	30,552	29,813
Total general government	739	30,052	30,552	29,813
Capital outlay	594,572	853,500	1,383,500	788,928
Total expenditures	595,311	883,552	1,414,052	818,741
Excess (deficiency) of revenues revenues over expenditures	200,446	(248,459)	(778,959)	979,405
Other financing sources (uses):				
Interfund Loan		-	530,000	(530,000)
Transfers out	(321,829)	(321,829)	(321,829)	-
Loan Proceeds		3,500,000	3,500,000	(3,500,000)
Total other financing sources (uses)	(321,829)	3,178,171	3,708,171	(4,030,000)
Net Change in Fund Balance	(121,383)	2,929,712	2,929,212	(3,051,095)
Fund balance, July 1, 2005	924,554	679,481	679,481	245,073
Fund balance, June 30, 2006	\$ 803,171	\$ 3,609,193	\$ 3,608,693	\$ (2,806,022)

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CEMETERY TRUST FUND
For the year ended June 30, 2006

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Charges for services	\$ 17,936	\$ 7,400	\$ 7,400	\$ 10,536
Interest on investments	22,532	14,400	22,892	(360)
Miscellaneous	1,283			1,283
Total revenues	<u>41,751</u>	<u>21,800</u>	<u>30,292</u>	<u>11,459</u>
Other financing sources (uses):				
Transfers in	500	500	500	-
Transfers out	<u>(25,451)</u>	<u>(14,400)</u>	<u>(31,360)</u>	<u>5,909</u>
Total other financing sources (uses)	<u>(24,951)</u>	<u>(13,900)</u>	<u>(30,860)</u>	<u>5,909</u>
Net Change in Fund Balance	16,800	7,900	(568)	17,368
Fund balance, July 1, 2005	<u>702,629</u>	<u>691,976</u>	<u>700,444</u>	<u>2,185</u>
Fund balance, June 30, 2006	<u>\$ 719,429</u>	<u>\$ 699,876</u>	<u>\$ 699,876</u>	<u>\$ 19,553</u>

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
WATER FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget - Positive (Negative)
	Actual	Original	Final	
Revenues:				
Taxes	\$ 86,335	\$ 106,943	\$ 106,943	\$ (20,608)
Intergovernmental	43,621	290,000	290,000	(246,379)
Charges for services	3,728,408	3,885,000	3,885,000	(156,592)
System Development Charges	439,306	551,250	551,250	(111,944)
Interest on investments	208,660	120,000	120,000	88,660
Miscellaneous	25,173	5,000	5,000	20,173
Total revenues	4,531,503	4,958,193	4,958,193	(426,690)
Expenditures:				
Cost of services:				
Forest Land Management	140,092	387,400	387,400	247,308
Public Works Water Supply	645,283	1,524,056	1,524,056	878,773
Public Works Water Treatment	819,518	1,123,035	1,123,035	303,517
Public Works Water Distribution	2,190,977	2,976,834	2,976,834	785,857
Public Works Supply SDC's	178,193	821,500	821,500	643,307
Public Works Treatment SDC's	132,882	140,882	140,882	8,000
Public Works Distribution SDC's	57,933	747,750	747,750	689,817
Water Conservation	142,930	162,436	162,436	19,506
Total cost of services	4,307,808	7,883,893	7,883,893	3,576,085
Debt service	542,679	587,904	587,904	45,225
Contingency		185,000	185,000	185,000
Total expenditures	4,850,487	8,656,797	8,656,797	3,806,310
Excess (deficiency) of revenues over expenditures	(318,984)	(3,698,604)	(3,698,604)	3,379,620
Other financing sources (uses):				
Interfund Loan Repayments	40,000	200,000	200,000	(160,000)
Interfund Loan		(1,000,000)	(1,000,000)	1,000,000
Transfer Out		-	-	-
Total other financing sources (uses):	40,000	(800,000)	(800,000)	840,000
Net Change in Fund Balance	(278,984)	(4,498,604)	(4,498,604)	4,219,620
Fund balance, July 1, 2005	6,458,230	6,657,492	6,657,492	(199,262)
Fund balance, June 30, 2006	\$ 6,179,246	\$ 2,158,888	\$ 2,158,888	\$ 4,020,358
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 19,543,158			
Accrued Interest	(71,192)			
Rounding	1			
Interfund Loans	80,000			
Deferred Charges	186,717			
GO Bonds Payable	(1,000,000)			
Revenue Bonds Payable	(4,640,000)			
	\$ 20,277,930			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
WASTEWATER FUND
For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget - Positive (Negative)
	Actual	Original	Final	
Revenues:				
Taxes	\$ 1,480,566	\$ 1,439,322	\$ 1,439,322	\$ 41,244
Charges for services	2,426,326	2,490,360	2,490,360	(64,034)
System Development Charges	410,910	484,100	484,100	(73,190)
Interest on investments	121,919	96,425	96,425	25,494
Miscellaneous	2,449	-	-	2,449
Total revenues	<u>4,442,170</u>	<u>4,510,207</u>	<u>4,510,207</u>	<u>(68,037)</u>
Expenditures:				
Cost of services:				
Public Works Wastewater Collection	1,580,387	2,274,537	2,274,537	694,150
Public Works Wastewater Treatment	1,422,330	1,746,473	1,746,473	324,143
Total cost of services	3,002,717	4,021,010	4,021,010	1,018,293
Construction				
Public Works Wastewater Collection SDC's	272,096	481,550	481,550	209,454
Public Works Wastewater Treatment SDC's	1,976	6,250	6,250	4,274
Debt Service	1,797,965	1,798,065	1,798,065	100
Contingency		160,000	160,000	160,000
Total expenditures	<u>5,074,754</u>	<u>6,466,875</u>	<u>6,466,875</u>	<u>1,392,121</u>
Excess (deficiency) of revenues over expenditures	<u>(632,584)</u>	<u>(1,956,668)</u>	<u>(1,956,668)</u>	<u>1,324,084</u>
Other financing sources (uses):				
Interfund Loan Repayments	270,000	1,000,000	1,000,000	(730,000)
Interfund Loan		-	(130,000)	130,000
Transfer Out		-	(540,000)	540,000
Total other financing sources (uses):	<u>270,000</u>	<u>1,000,000</u>	<u>330,000</u>	<u>(60,000)</u>
Net Change in Fund Balance	(362,584)	(956,668)	(1,626,668)	1,264,084
Fund balance, July 1, 2005	<u>5,664,182</u>	<u>4,856,636</u>	<u>5,526,636</u>	<u>137,546</u>
Fund balance, June 30, 2006	<u>\$ 5,301,598</u>	<u>\$ 3,899,968</u>	<u>\$ 3,899,968</u>	<u>\$ 1,401,630</u>
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 41,578,775			
Accrued Interest	(120,320)			
Rounding	(1)			
Notes Payable	<u>(20,702,256)</u>			
	<u>\$ 26,057,796</u>			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
ELECTRIC FUND
For the year ended June 30, 2006

	Actual	Budget Amounts		Variance with
		Original	Final	Final Budget - Positive (Negative)
Revenues:				
Intergovernmental	\$ 36,042	\$ 50,000	\$ 50,000	\$ (13,958)
Charges for services	12,008,573	12,734,210	12,734,210	(725,637)
Interest on investments	54,293	30,450	30,450	23,843
Miscellaneous	41,073	61,000	61,000	(19,927)
Total revenues	12,139,981	12,875,660	12,875,660	(735,679)
Expenditures:				
Cost of services:				
Electric supply	6,213,096	6,416,741	6,416,741	203,645
Electric distribution	4,649,741	4,743,209	4,743,209	93,468
Electric transmission	785,708	1,048,600	1,048,600	262,892
Conservation	402,597	441,621	441,621	39,024
Total cost of services	12,051,142	12,650,171	12,650,171	599,029
Contingency		386,270	386,270	386,270
Total expenditures	12,051,142	13,036,441	13,036,441	985,299
Excess (deficiency) of revenues over expenditures	88,839	(160,781)	(160,781)	249,620
Other financing sources (uses):				
Transfers Out	(500,000)	(500,000)	(960,000)	460,000
Interfund loan repayment		-	-	-
Total other financing sources (uses)	(500,000)	(500,000)	(960,000)	460,000
Net Change in Fund Balance	(411,161)	(660,781)	(1,120,781)	709,620
Fund balance, July 1, 2005	2,527,430	2,065,808	2,525,808	1,622
Fund balance, June 30, 2006	\$ 2,116,269	\$ 1,405,027	\$ 1,405,027	\$ 711,242
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 10,528,763			
Deferred Revenue	160,772			
	\$ 12,805,804			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
TELECOMMUNICATIONS FUND
For the year ended June 30, 2006

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 92,685	\$ 86,182	\$ 86,182	\$ 6,503
Charges for services:		2,710,000	2,710,000	(2,710,000)
Cable television	1,235,685			1,235,685
Internet	1,248,262			1,248,262
High speed data	220,034			220,034
Interest on investments	6,423	11,138	11,138	(4,715)
Miscellaneous	34,654	16,000	16,000	18,654
Total revenues	2,837,743	2,823,320	2,823,320	14,423
Expenditures:				
Cost of services:				
Operations:				
Promotions	92,650	223,614	223,614	130,964
Operations:				
Cable television	1,577,127	1,656,687	1,706,687	129,560
Internet	612,126	746,279	746,279	134,153
High speed data	202,337	215,322	215,322	12,985
Total cost of services	2,484,240	2,841,902	2,891,902	407,662
Debt service	1,233,566	1,234,248	1,234,248	682
Contingency		140,000	1,090,000	1,090,000
Total expenditures	3,717,806	4,216,150	5,216,150	1,498,344
Excess (deficiency) of revenues over expenditures	(880,063)	(1,392,830)	(2,392,830)	1,512,767
Other financing sources:				
Transfers in	500,000	500,000	1,500,000	(1,000,000)
Loan proceeds		-	-	-
Total other financing sources (uses)	500,000	500,000	1,500,000	(1,000,000)
Net Change in Fund Balance	(380,063)	(892,830)	(892,830)	512,767
Fund balance, July 1, 2005	898,750	963,017	963,017	(64,267)
Fund balance, June 30, 2006	\$ 518,687	\$ 70,187	\$ 70,187	\$ 448,500
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 8,491,379			
Accrued Interest	(396,208)			
Deferred Charges	256,202			
Revenue Bonds Payable	(15,500,000)			
	<u>\$ (6,629,940)</u>			

CITY OF ASHLAND, OREGON
CONSOLIDATING BALANCE SHEET
INTERNAL SERVICE FUNDS
June 30, 2006

	Central Services Fund	Insurance Services Fund	Equipment Fund	Totals
ASSETS				
Current assets:				
Cash and investments	\$ 854,123	\$ 1,509,081	\$ 1,555,834	\$ 3,919,038
Interest and accounts receivable, net	35,198		4,000	39,198
Notes receivable		30,127		30,127
Inventories	1,124		30,497	31,621
Total current assets	<u>890,445</u>	<u>1,539,208</u>	<u>1,590,331</u>	<u>4,019,984</u>
Fixed assets				
Accumulated depreciation	237,150		9,935,963	10,173,113
Capital assets, net	<u>(216,534)</u>		<u>(6,579,985)</u>	<u>(6,796,519)</u>
Total assets	<u>\$ 911,061</u>	<u>\$ 1,539,208</u>	<u>\$ 4,946,309</u>	<u>\$ 7,396,578</u>
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Accounts payable	\$ 83,485	\$ 31,792	\$ 55,280	\$ 170,557
Accrued salaries, vacation and payroll taxes	365,204		24,881	390,085
Other liabilities	2,747			2,747
Accrued claims and adjustments		597,606		597,606
Total current liabilities	<u>451,436</u>	<u>629,398</u>	<u>80,161</u>	<u>1,160,995</u>
Net assets:				
Invested in capital assets, net of related debt	20,616	-	3,355,978	3,376,594
Unreserved	439,009	909,810	1,510,170	2,858,989
Total fund equity:	<u>459,625</u>	<u>909,810</u>	<u>4,866,148</u>	<u>6,235,583</u>
Total liabilities and net assets	<u>\$ 911,061</u>	<u>\$ 1,539,208</u>	<u>\$ 4,946,309</u>	<u>\$ 7,396,578</u>

CITY OF ASHLAND, OREGON
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2006

	Central Services Fund	Insurance Services Fund	Equipment Fund	Totals
Operating revenues:				
Service charges and fees	\$ 5,595,393	\$ 569,112	\$ 1,256,354	\$ 7,420,859
Miscellaneous	34,410	8,389	57,326	100,125
Total operating revenues	5,629,803	577,501	1,313,680	7,520,984
Operating expenses:				
Cost of services	5,393,469	597,533	621,165	6,612,167
Depreciation	7,899		597,670	605,569
Total operating expenses	5,401,368	597,533	1,218,835	7,217,736
Operating income (loss)	228,435	(20,032)	94,845	303,248
Nonoperating income (expense):				
Taxes	16,987			16,987
Interest income	24,040	44,491	51,076	119,607
Gain (loss) on disposal of assets				-
Interfund loan				-
Total nonoperating income (expense)	41,027	44,491	51,076	136,594
Change in Net Assets	269,462	24,459	145,921	439,842
Net assets, July 1, 2005	190,163	885,351	4,720,227	5,795,741
Net assets, June 30, 2006	\$ 459,625	\$ 909,810	\$ 4,866,148	\$ 6,235,583

CITY OF ASHLAND, OREGON
COMBINING INTERNAL SERVICE FUND STATEMENT OF CASH FLOWS
For the year ended June 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Central Services</u>	<u>Insurance Services</u>	<u>Equipment Fund</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 5,625,172	\$ 572,214	\$ 1,307,415	\$ 7,504,801
Payments to suppliers	(1,605,089)	(592,592)	(406,327)	(2,604,008)
Payments to employees	<u>(3,808,936)</u>		<u>(213,174)</u>	<u>(4,022,110)</u>
Net cash from operating activities	<u>211,147</u>	<u>(20,378)</u>	<u>687,914</u>	<u>878,683</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	<u>(23,490)</u>		<u>(722,477)</u>	<u>(745,967)</u>
Net cash from capital and related financing activities	<u>(23,490)</u>	-	<u>(722,477)</u>	<u>(745,967)</u>
Cash flows from investing activities:				
Interest from investments and Other income	<u>41,027</u>	<u>44,491</u>	<u>51,076</u>	<u>136,594</u>
Net increase (decrease) in cash and investments	<u>228,684</u>	<u>24,113</u>	<u>16,513</u>	<u>269,310</u>
Cash and investments, beginning of year	<u>625,439</u>	<u>1,484,968</u>	<u>1,539,321</u>	<u>3,649,728</u>
Cash and investments, end of year	<u><u>\$ 854,123</u></u>	<u><u>\$ 1,509,081</u></u>	<u><u>\$ 1,555,834</u></u>	<u><u>\$ 3,919,038</u></u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 228,435	\$ (20,032)	\$ 94,845	\$ 303,248
Depreciation and amortization	7,899		597,670	605,569
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables	(4,631)	(5,287)	(6,265)	(16,183)
Inventories	361		10,912	11,273
Increase (decrease) in:				
Accounts payable and accrued liabilities	(77,675)	14,560	(11,358)	(74,473)
Other liabilities	<u>56,758</u>	<u>(9,619)</u>	<u>2,110</u>	<u>49,249</u>
Net cash from operating activities	<u><u>\$ 211,147</u></u>	<u><u>\$ (20,378)</u></u>	<u><u>\$ 687,914</u></u>	<u><u>\$ 878,683</u></u>

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
CENTRAL SERVICES FUND
For the year ended June 30, 2006

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 16,987	\$ -	\$ -	\$ 16,987
Charges for services	5,595,393	5,745,076	5,745,076	(149,683)
Interest on investments	24,040	16,748	16,748	7,292
Miscellaneous	34,410	92,700	92,700	(58,290)
Total revenues	5,670,830	5,854,524	5,854,524	(183,694)
Expenditures:				
Cost of services:				
Administration	877,939	987,160	987,160	109,221
Administrative Services	1,841,668	1,984,555	1,984,555	142,887
Information Technology	844,423	931,040	931,040	86,617
City Recorder	177,249	182,690	182,690	5,441
Public Works - Administration	1,195,338	1,350,765	1,350,765	155,427
Public Works - Facilities and Safety	480,340	533,260	533,260	52,920
Contingency		150,000	150,000	150,000
Total expenditures	5,416,957	6,119,470	6,119,470	702,513
Net Change in Fund Balance	253,873	(264,946)	(264,946)	518,819
Fund balance, July 1, 2005	185,137	274,946	274,946	(89,809)
Fund balance, June 30, 2006	\$ 439,010	\$ 10,000	\$ 10,000	\$ 429,010
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 20,616			
Rounding	(1)			
	\$ 459,625			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
INSURANCE SERVICES FUND
For the year ended June 30, 2006

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Charges for services	\$ 569,112	\$ 566,500	\$ 566,500	\$ 2,612
Interest on investments	44,491	18,000	18,000	26,491
Miscellaneous	8,389	1,000	1,000	7,389
Total revenues	<u>621,992</u>	<u>585,500</u>	<u>585,500</u>	<u>36,492</u>
Expenditures:				
Cost of services:				
Personal services	-	400,000	-	-
Materials and services	<u>597,533</u>	<u>617,063</u>	<u>617,063</u>	<u>19,530</u>
Total cost of services	597,533	1,017,063	617,063	19,530
Contingency		<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total expenditures	<u>597,533</u>	<u>1,117,063</u>	<u>717,063</u>	<u>119,530</u>
Other financing sources (uses):				
Interfund loan		-	(400,000)	400,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(400,000)</u>	<u>400,000</u>
Net Change in Fund Balance	24,459	(531,563)	(531,563)	556,022
Fund balance, July 1, 2005	<u>1,036,331</u>	<u>949,499</u>	<u>949,499</u>	<u>86,832</u>
Fund balance, June 30, 2006	<u>\$ 1,060,790</u>	<u>\$ 417,936</u>	<u>\$ 417,936</u>	<u>\$ 642,854</u>
Reconciliation to Net Assets:				
Accrued claims and adjustments	<u>\$ (150,980)</u>			
	<u>\$ 909,810</u>			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
EQUIPMENT FUND

For the year ended June 30, 2006

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Charges for services	\$ 1,256,354	\$ 1,279,756	\$ 1,279,756	\$ (23,402)
Interest on investments	51,076	28,000	28,000	23,076
Miscellaneous	57,326	56,650	56,650	676
Total revenues	<u>1,364,756</u>	<u>1,364,406</u>	<u>1,364,406</u>	<u>350</u>
Expenditures:				
Cost of services:				
Personal services	215,284	254,200	254,200	38,916
Materials and services	452,181	492,683	492,683	40,502
Total cost of services	667,465	746,883	746,883	79,418
Capital outlay	676,176	1,022,000	1,022,000	345,824
Contingency		175,000	175,000	175,000
Total expenditures	<u>1,343,641</u>	<u>1,943,883</u>	<u>1,943,883</u>	<u>600,242</u>
Net Change in Fund Balance	21,115	(579,477)	(579,477)	600,592
Fund balance, July 1, 2005	<u>1,489,055</u>	<u>1,435,976</u>	<u>1,435,976</u>	<u>53,079</u>
Fund balance, June 30, 2006	<u>\$ 1,510,170</u>	<u>\$ 856,499</u>	<u>\$ 856,499</u>	<u>\$ 653,671</u>
Reconciliation to Net Assets:				
Capital Assets, Net	<u>\$ 3,355,978</u>			
	<u>\$ 4,866,148</u>			

CITY OF ASHLAND, OREGON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
BY SOURCE
June 30, 2006

Governmental funds capital assets:

Land	\$ 8,460,842
Buildings and improvements	19,244,728
Improvements other than buildings	40,602,784
Machinery and equipment	3,093,754
Construction in progress	<u>798,324</u>

Total capital assets \$ 72,200,432

Investments in governmental funds capital assets by source:

General and Capital Projects Funds	\$ 20,940,490
Special Revenue Funds	37,336,667
Component Unit	6,384,431
Leased to Other Agencies	<u>7,538,844</u>

Total investments in governmental funds capital assets \$ 72,200,432

This schedule represents only the capital asset balances related to governmental funds before accumulated depreciation. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as the appropriate business activity or governmental activity in the statement of net assets.

CITY OF ASHLAND, OREGON
SCHEDULE OF ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
BY FUNCTION AND ACTIVITY
June 30, 2006

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	Total
General Government:						
Community Development	\$ 531,376	\$ 1,120,947		\$ 378,138		\$ 2,030,461
Public Buildings	460,200	1,021,882		124,461		1,606,543
Leased to Other Agencies	253,000	8,744,018	3,957,949	659,380		13,614,347
Other - Unclassified	185,255	2,035,844	790,298	171,275		3,182,672
Total General government	<u>1,429,831</u>	<u>12,922,691</u>	<u>4,748,247</u>	<u>1,333,254</u>	<u>-</u>	<u>20,434,023</u>
Public Safety:						
Police	80,000	614,700		463,845		1,158,545
Fire	998,440	3,268,416	300,000	879,671		5,446,527
Total Public Safety	<u>1,078,440</u>	<u>3,883,116</u>	<u>300,000</u>	<u>1,343,516</u>	<u>-</u>	<u>6,605,072</u>
Highway and Streets:						
Public Thoroughfares	452,235	630,075	33,826,826	186,978	798,324	35,894,438
Total Highways and Streets	<u>452,235</u>	<u>630,075</u>	<u>33,826,826</u>	<u>186,978</u>	<u>798,324</u>	<u>35,894,438</u>
Airports	<u>176,566</u>	<u>1,029,780</u>	<u>1,727,711</u>			<u>2,934,057</u>
Culture and Recreation	<u>5,323,770</u>	<u>779,066</u>		<u>230,006</u>		<u>6,332,842</u>
Total Governmental Funds Capital Assets	<u>\$ 8,460,842</u>	<u>\$ 19,244,728</u>	<u>\$ 40,602,784</u>	<u>\$ 3,093,754</u>	<u>\$ 798,324</u>	<u>\$ 72,200,432</u>

This schedule represents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as the appropriate business activity or governmental activity in the statement of net assets.

CITY OF ASHLAND, OREGON
SCHEDULE OF BOND PRINCIPAL AND BOND INTEREST TRANSACTIONS
For the year ended June 30, 2006

	Original Issue	Bond Principal Transactions	
		Outstanding June 30, 2005	Issued
<u>General Obligation Bonds</u>			
Water Bonds, issued December 1, 1977, interest at 5.00% to 7.00%	\$ 560,000	\$ 85,000	\$ -
Flood and Refunding Bonds, issued December 1, 1997, interest at 3.65% to 6.00%	2,800,000	1,695,000	-
Flood and Fire Station Bonds, issued June 1, 2000 interest variable	3,310,000	2,765,000	-
Ashland Fiber Network Bonds, issued August 11, 2004, interest at 3.70% to 6.02%	15,500,000	15,500,000	-
Refunding Bonds, issued December 1, 2005 interest variable	2,560,000	-	2,560,000
<u>Revenue Bonds</u>			
Water, Series 2003, issued June 1, 2003, interest at 2.00% to 4.00%	5,625,000	4,960,000	-
	<u>\$ 30,355,000</u>	<u>\$ 25,005,000</u>	<u>\$ 2,560,000</u>

CITY OF ASHLAND, OREGON
SCHEDULE OF BOND PRINCIPAL AND BOND INTEREST TRANSACTIONS
For the year ended June 30, 2006 (continued)

Bond Principal Transactions			Interest Transactions			
Matured	Paid	Outstanding June 30, 2006	Outstanding June 30, 2005	Matured	Paid	Outstanding June 30, 2006
\$ 25,000	\$ 25,000	\$ 50,000	\$ 7,425	\$ 3,850	\$ 3,025	\$ 8,800
600,000	600,000	1,095,000	-	53,418	53,418	-
2,200,000	2,200,000	565,000	-	-	-	-
-	-	15,500,000	-	1,234,248	1,234,248	-
-	-	2,560,000	-	91,119	91,119	-
320,000	320,000	4,640,000	-	140,456	140,456	-
<u>\$ 3,145,000</u>	<u>\$ 3,145,000</u>	<u>\$ 24,410,000</u>	<u>\$ 7,425</u>	<u>\$ 1,523,091</u>	<u>\$ 1,522,266</u>	<u>\$ 8,800</u>

CITY OF ASHLAND, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS COLLECTED AND UNCOLLECTED
FOR THE CITY AND COMPONENT UNIT
For the year ended June 30, 2006

	Taxes Uncollected July 1, 2006	Add Levy Extended by Assessor	Add (Deduct) Discounts Interest Cancellations Adjustments	Deduct Interest and Tax Collections	Taxes Uncollected June 30, 2006
2005-06	\$ -	\$ 8,803,680	\$ 70,521	\$ 8,374,338	\$ 358,821
2004-05	302,253		85,439	101,954	114,860
2003-04	118,176	-	(139,702)	177,342	80,536
2002-03	68,109	-	55	24,693	43,361
2001-02	28,406	-	(34,688)	40,072	23,022
2000-01	8,914	-	(25,248)	25,260	8,902
1999-00	3,763	-	(3,078)	1,539	5,302
Prior years	5,863	-	(3,295)	1,666	7,492
	<u>\$ 535,484</u>	<u>\$ 8,803,680</u>	<u>\$ (49,996)</u>	<u>\$ 8,746,864</u>	<u>\$ 642,296</u>

Taxes receivable and tax collections classified by fund:	Collections to June 30, 2006	Taxes Uncollected June 30, 2006
Primary government:		
General Fund	\$ 2,673,519	\$ 184,006
Debt Service Fund	303,558	33,702
Enterprise Fund: Water Fund	86,335	16,197
Component unit:		
Parks and Recreation:		
Parks and Recreation Fund	3,409,684	250,003
Ashland Youth Activities Serial Levy Fund	2,273,768	158,388
	<u>\$ 8,746,864</u>	<u>\$ 642,296</u>

CITY OF ASHLAND, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED
FOR THE CITY AND COMPONENT UNIT
For the year ended June 30, 2006

Reconciliation of tax collections by fund to tax revenues on the generally accepted accounting principles

	<u>Collections</u>	<u>Other Taxes</u>	<u>Tax Revenues GAAP Basis</u>
Primary government:			
General Fund	\$ 2,673,519	\$ 5,843,509	\$ 8,517,028
Special Revenue Funds:			
Street Fund	-	264,072	264,072
Debt Service Funds:			
Debt Service Fund	303,558	-	303,558
Capital Projects Fund:			
Capital Improvement Fund	-	370,141	370,141
Enterprise Funds:			
Water Fund	86,335	-	86,335
Wastewater Fund	-	1,480,566	1,480,566
Component unit:			
Parks and Recreation:			
Parks and Recreation Fund	3,409,684	-	3,409,684
Special Revenue Fund:			
Ashland Youth Activities Serial Levy Fund	<u>2,273,768</u>	<u>-</u>	<u>2,273,768</u>
	<u>\$ 8,746,864</u>	<u>\$ 7,958,288</u>	<u>\$ 16,705,152</u>



STATISTICAL SECTION
Total Reporting Entity
(Unaudited)



**CITY OF ASHLAND, OREGON
STATISTICAL SECTION
(Unaudited)**

This part of the City of Ashland's comprehensive annual financial report presents detailed information as a context for understanding this year's financial statements, notes, and supplementary information. This information has not been audited by the independent auditors.

Financial Trends	Page
These tables contain trend information that may assist the reader in assessing the City's current financial performance by placing it in historical perspective.	96 - 105
Revenue Capacity	
These tables contain information that may assist the reader is assessing the viability of the City's revenue sources.	106 - 113
Debt Capacity	
These tables present information that may assist the reader in analyzing the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	114 - 121
Economic & Demographic Information	
These tables offer economic and demographic indicators that are commonly used for financial analysis and that can help the reader understand the City's present and ongoing financial status.	122 - 123
Operating Information	
These tables contain service and infrastructure indicators that can help the reader understand how the information in the City's financial statements relates to the services the City provides and the activities it performs.	124 - 131

Source:

Unless otherwise noted, the information in these tables is derived from the annual financial reports for the City of Ashland. The city implemented GASB Statement No. 34 in fiscal year 2003 therefore some of the tables presenting government-wide information include only four years.

CITY OF ASHLAND, OREGON
STATEMENT OF NET ASSETS
Governmental Activities
For the Fiscal Year Ended June 30,

ASSETS	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assets:				
Cash and cash equivalents	\$ 9,274,073	\$ 9,123,663	\$ 6,312,364	\$ 8,961,587
Receivables (net of allowance for uncollectibles)	2,353,604	2,354,558	2,430,662	2,669,101
Inventories	31,621	42,894	16,602	1,728
Internal Balances	(1,319,579)	(1,378,719)	1,222,273	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	451,672	428,719	413,078	260,813
Capital Assets:				
Land	8,559,612	8,287,911	8,261,273	8,343,858
Buildings and Improvements	19,563,238	30,138,810	29,933,056	7,420,827
Machinery and equipment	12,405,182	11,771,045	9,345,294	3,610,916
Infrastructure	41,047,189	15,986,209	15,720,372	9,951,054
Construction in progress	798,324	9,744,570	9,789,517	12,327,224
Accumulated Depreciation	(33,506,950)	(31,952,088)	(28,220,545)	-
Total assets	<u>\$ 59,657,986</u>	<u>\$ 54,547,572</u>	<u>\$ 55,223,946</u>	<u>\$ 53,547,108</u>
Liabilities:				
Accounts payable and other current liabilities	\$ 2,590,134	\$ 2,652,837	\$ 2,734,135	\$ 2,798,840
Unearned revenue	12,700	26,392	94,404	335,303
Noncurrent liabilities:				
Due within one year	590,000	908,822	783,485	750,750
Due in more than one year	5,731,134	5,815,074	6,357,569	6,530,911
Total liabilities	<u>8,923,968</u>	<u>9,403,125</u>	<u>9,969,593</u>	<u>10,415,804</u>
Net Assets				
Invested in capital assets, net of related debt	42,669,821	37,631,383	37,948,847	34,601,570
Restricted for:				
System development	1,663,317	1,537,765	1,197,249	1,594,538
Debt service	459,095	423,842	433,278	(47,412)
Perpetual care: Nonexpendable	719,429	702,629	684,476	679,646
Unrestricted	5,222,356	4,848,828	4,990,503	6,302,962
Total net assets	<u>\$ 50,734,018</u>	<u>\$ 45,144,447</u>	<u>\$ 45,254,353</u>	<u>\$ 43,131,304</u>

CITY OF ASHLAND, OREGON
STATEMENT OF NET ASSETS
Business - type Activities
For the Fiscal Year Ended June 30,

ASSETS	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assets:				
Cash and cash equivalents	\$ 12,951,933	\$ 15,066,503	\$ 9,286,593	\$ 7,961,325
Receivables (net of allowance for uncollectibles)	2,203,826	2,057,466	1,883,966	1,893,686
Inventories	799,588	851,200	821,407	828,978
Deferred charges	1,721,312	1,819,860	1,921,810	2,082,204
Internal Balances	1,319,579	1,378,719	(1,222,273)	-
Restricted assets:				
Capital Assets:				
Land	1,945,107	1,945,107	1,971,745	1,945,107
Buildings and Improvements	21,782,188	23,113,448	23,157,904	22,595,341
Machinery and equipment	636,103	675,297	2,833,165	722,977
Infrastructure	80,305,280	79,057,892	79,121,637	60,513,768
Construction in progress	2,998,341	4,472,229	4,563,158	3,428,686
Accumulated Depreciation	(28,803,335)	(26,616,727)	(25,236,582)	-
Total assets	<u>\$ 97,859,922</u>	<u>\$ 103,820,994</u>	<u>\$ 99,102,530</u>	<u>\$ 101,972,072</u>
Liabilities:				
Accounts payable and other current liabilities	\$ 1,678,775	\$ 2,343,307	\$ 1,960,591	\$ 1,486,328
Accrued interest payable	587,720	819,171	307,538	307,634
Unearned revenue	-	-	4,000	323,308
Noncurrent liabilities:				
Due within one year	1,475,373	1,437,257	2,388,750	2,300,805
Due in more than one year	40,366,883	42,177,256	34,841,659	36,927,296
Total liabilities	<u>44,108,751</u>	<u>46,776,991</u>	<u>39,502,538</u>	<u>41,345,371</u>
Net Assets				
Invested in capital assets, net of related debt	42,661,428	39,032,733	44,754,393	49,967,778
Restricted for:				
System development	4,251,713	4,636,560	4,020,207	3,441,297
Debt service	1,913,648	1,913,648	1,281,341	1,913,648
Unrestricted	4,924,382	11,461,062	9,544,051	5,303,978
Total net assets	<u>\$ 53,751,171</u>	<u>\$ 57,044,003</u>	<u>\$ 59,599,992</u>	<u>\$ 60,626,701</u>

CITY OF ASHLAND, OREGON
CHANGES IN NET ASSETS
Governmental Activities
For the Fiscal Year Ended June 30,

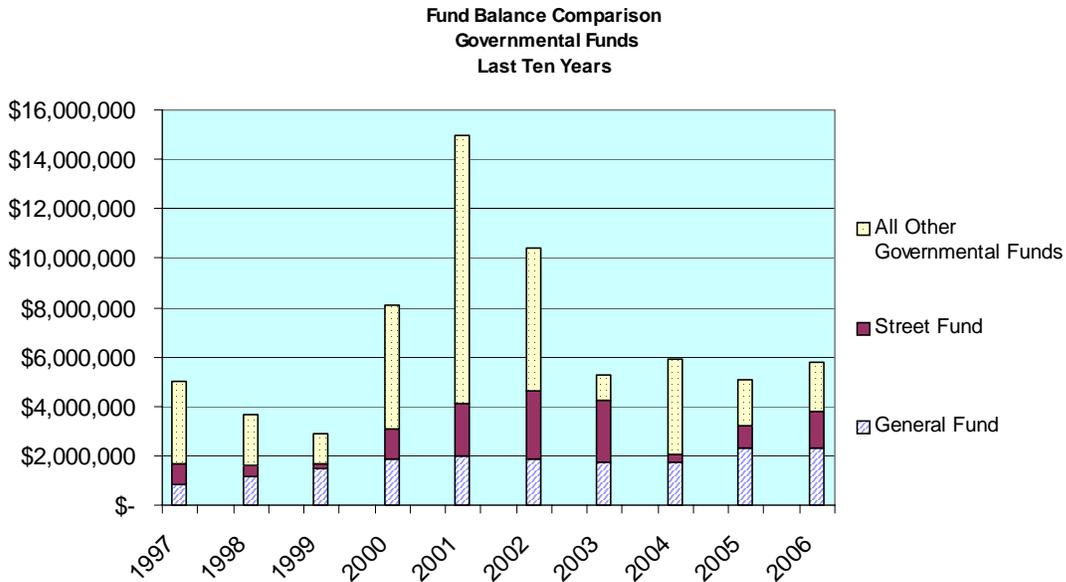
	2006	2005	2004	2003
Program Revenues:				
General Government				
Charges for Services	\$ 4,110,436	\$ 4,453,046	\$ 4,269,353	\$ 4,667,720
Operating Grants and Contributions	141,500	358,309	811,075	132,171
Capital Grants and Contributions	299,171	948,845	3,859	156,141
Capital System Development Charges	105,193	154,200	107,687	130,486
Public Safety				
Charges for Services	1,556,909	1,769,625	1,693,838	1,599,037
Operating Grants and Contributions	-	71,245	101,877	34,536
Capital Grants and Contributions	-	53,443	79,460	-
Highways and Streets				
Charges for Services	1,659,421	1,593,663	1,491,256	1,146,124
Operating Grants and Contributions	-	1,243	-	-
Capital Grants and Contributions	202,982	463,695	1,075,598	2,849,793
Capital System Development Charges	388,654	509,175	376,951	430,806
	<u>8,464,266</u>	<u>10,376,489</u>	<u>10,010,954</u>	<u>11,146,814</u>
Program Expenses:				
General Government	2,818,129	5,202,781	2,982,532	6,543,127
Public Safety	7,903,054	9,235,540	8,454,075	7,914,876
Highways and Streets	2,419,380	4,221,022	4,637,272	3,985,835
Interest on long-term debt	637,146	311,527	370,491	339,082
	<u>13,777,709</u>	<u>18,970,870</u>	<u>16,444,370</u>	<u>18,782,920</u>
Net (Expense) Revenue:				
General Government	1,838,171	557,419	2,101,755	(1,456,609)
Public Safety	(6,346,145)	(7,341,227)	(6,578,900)	(6,281,303)
Highways and Streets	(168,323)	(2,162,421)	(1,693,467)	440,888
Interest on long-term debt	(637,146)	(311,527)	(370,491)	(339,082)
	<u>(5,313,443)</u>	<u>(9,257,756)</u>	<u>(6,541,103)</u>	<u>(7,636,106)</u>
General Revenues:				
Property Taxes	2,970,566	2,658,995	2,626,369	2,206,505
Utility Users Tax	2,323,390	2,277,178	2,102,550	1,929,092
Users Taxes	1,784,302	1,753,477	1,808,047	1,567,079
State Subventions - unrestricted	1,817,175	1,360,724	1,277,933	1,128,521
Unrestricted Interest Earnings	256,648	146,041	62,543	115,947
Capital Assets Transfers	1,425,346	-	-	-
Miscellaneous	617,542	288,060	590,682	280,289
Gain (loss) on Disposal of Assets	-	-	(868,437)	-
Transfers:		-	-	(200,000)
Total General Revenues and Transfers	<u>11,194,969</u>	<u>8,484,475</u>	<u>7,599,687</u>	<u>7,027,433</u>
Change in Net Assets	5,881,526	(773,281)	1,058,584	(608,673)
Net Assets - Beginning	45,144,447	45,254,353	43,131,304	43,739,977
Recognition of Prior Infrastructure	-	-	956,778	-
Net Assets - Ending	<u>\$ 51,025,973</u>	<u>\$ 44,481,072</u>	<u>\$ 45,146,666</u>	<u>\$ 43,131,304</u>

CITY OF ASHLAND, OREGON
CHANGES IN NET ASSETS
Business - type Activities
For the Fiscal Year Ended June 30,

	2006	2005	2004	2003
Program Revenues:				
Water				
Charges for Services	\$ 4,092,206	\$ 3,557,350	\$ 3,678,974	\$ 3,075,622
Capital Grants and Contributions	43,622	81,504	129,721	110,147
Capital System Development Charges	439,306	662,911	574,540	528,553
Wastewater				
Charges for Services	2,428,775	2,458,233	2,368,237	2,218,249
Capital System Development Charges	410,910	513,489	432,273	408,843
Electric				
Charges for Services	12,095,363	12,283,303	11,962,925	10,220,661
Operating Grants and Contributions	36,043	42,656	7,165	137,483
Telecommunications				
Charges for Services	2,738,635	2,642,055	2,403,436	1,969,079
	<u>22,284,860</u>	<u>22,241,501</u>	<u>21,557,271</u>	<u>18,668,637</u>
Program Expenses:				
Water	4,974,536	5,910,251	4,177,640	5,331,263
Wastewater	4,397,923	4,524,112	4,615,409	5,665,728
Electric	12,831,758	12,445,069	11,638,094	11,395,422
Telecommunications	4,182,956	4,238,644	3,706,854	3,662,002
	<u>26,387,173</u>	<u>27,118,076</u>	<u>24,137,997</u>	<u>26,054,415</u>
Net (Expense) Revenue				
Water	(399,402)	(1,608,486)	205,595	(1,616,941)
Wastewater	(1,558,238)	(1,552,390)	(1,814,899)	(3,038,636)
Electric	(700,352)	(119,110)	331,996	(1,037,278)
Telecommunications	(1,444,321)	(1,596,589)	(1,303,418)	(1,692,923)
	<u>(4,102,313)</u>	<u>(4,876,575)</u>	<u>(2,580,726)</u>	<u>(7,385,778)</u>
General Revenues:				
Property Taxes	86,335	74,551	179,302	176,523
Users Taxes	1,573,251	1,454,132	1,346,863	1,280,190
Unrestricted Interest Earnings	518,138	352,983	166,529	300,418
Capital Assets Transfers	(1,425,346)	-	-	-
Miscellaneous	57,103	438,920	847,330	499,947
Gain (loss) on Disposal of Assets	-	-	(986,004)	-
Transfers:				200,000
Total General Revenues and Transfers	<u>809,481</u>	<u>2,320,586</u>	<u>1,554,020</u>	<u>2,457,078</u>
Change in Net Assets	(3,292,832)	(2,555,989)	(1,026,706)	(4,928,700)
Net Assets - Beginning	<u>57,044,003</u>	<u>59,599,992</u>	<u>60,626,698</u>	<u>65,555,401</u>
Net Assets - Ending	<u>\$ 53,751,171</u>	<u>\$ 57,044,003</u>	<u>\$ 59,599,992</u>	<u>\$ 60,626,701</u>

CITY OF ASHLAND, OREGON
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years
For the Fiscal Year Ended June 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund					
Unreserved, reported in:					
General Fund	\$ 2,326,936	\$ 2,308,388	\$ 1,755,143	\$ 1,715,220	\$ 1,865,212
Total General Fund	<u>2,326,936</u>	<u>2,308,388</u>	<u>1,755,143</u>	<u>1,715,220</u>	<u>1,865,212</u>
Street Fund					
Reserved for:					
Reserved for system development charges	1,597,642	1,472,090	1,197,249	1,594,538	1,348,177
Unreserved, reported in:					
Special revenue Funds	(133,598)	(556,062)	(881,403)	934,212	1,436,880
Total Street Fund	<u>1,464,044</u>	<u>916,028</u>	<u>315,846</u>	<u>2,528,750</u>	<u>2,785,057</u>
All Other Governmental Funds					
Reserved for:					
Reserved for system development charges	65,675	65,675	1,197,249	-	1,348,177
Reserved for debt service	459,095	423,842	433,278	282,293	136,978
Reserved for perpetual care	719,429	702,629	684,476	679,646	-
Unreserved, reported in:					
General Fund	-	-	1,755,143	-	-
Special revenue Funds	130,126	2,942	(663,026)	(298)	1,423,536
Capital projects funds	586,843	635,387	429,873	67,583	2,833,606
Total All Other Governmental Funds	<u>1,961,168</u>	<u>1,830,475</u>	<u>3,836,993</u>	<u>1,029,224</u>	<u>5,742,297</u>
Total Governmental Funds	<u>\$ 5,752,148</u>	<u>\$ 5,054,891</u>	<u>\$ 5,907,982</u>	<u>\$ 5,273,194</u>	<u>\$ 10,392,566</u>



**CITY OF ASHLAND, OREGON
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years (continued)
For the Fiscal Year Ended June 30,**

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$ 1,962,295	\$ 1,888,103	\$ 1,480,891	\$ 1,148,195	\$ 809,606
<u>1,962,295</u>	<u>1,888,103</u>	<u>1,480,891</u>	<u>1,148,195</u>	<u>809,606</u>
1,079,784	654,291	300,324	206,600	294,279
1,080,273	521,787	(81,660)	272,197	590,388
<u>2,160,057</u>	<u>1,176,078</u>	<u>218,664</u>	<u>478,797</u>	<u>884,667</u>
1,182,176	1,037,219	454,534	628,143	643,041
103,883	225,841	374,915	235,377	429,336
-	-	-	-	-
-	-	-	-	-
954,654	547,823	(48,887)	655,720	808,036
8,599,456	3,217,748	384,796	513,822	1,409,305
<u>10,840,169</u>	<u>5,028,631</u>	<u>1,165,358</u>	<u>2,033,062</u>	<u>3,289,718</u>
<u>\$ 14,962,521</u>	<u>\$ 8,092,812</u>	<u>\$ 2,864,913</u>	<u>\$ 3,660,054</u>	<u>\$ 4,983,991</u>

CITY OF ASHLAND, OREGON
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years
For the Fiscal Year Ended June 30,

	2006	2005	2004	2003	2002
Revenues:					
Taxes	\$ 9,454,799	\$ 9,057,868	\$ 8,714,013	\$ 7,906,257	\$ 7,558,510
Fees, licenses and permits	1,106,317	1,489,379	1,156,285	1,472,877	1,256,617
Intergovernmental	2,168,873	3,252,504	3,349,802	4,190,546	2,183,896
Special assessments	360,860	222,408	170,860	214,606	193,999
Charges for services	3,817,938	4,165,663	3,717,342	3,665,166	3,613,534
Fines and forfeitures	137,460	133,170	120,749	107,607	188,006
Interest on investments	197,960	112,531	51,967	115,947	310,385
Miscellaneous	554,076	62,546	563,988	191,096	439,863
Total revenues	17,798,283	18,496,069	17,845,006	17,864,102	15,744,810
Expenditures:					
General government	3,081,984	3,317,996	3,610,326	2,769,315	2,620,298
Public safety	9,152,421	8,630,755	8,468,294	7,914,876	7,513,892
Highways and streets	2,191,178	2,079,150	1,923,050	2,036,222	2,852,552
Culture and recreation	-	-	-	-	-
Capital Outlay	1,889,998	2,403,697	4,736,857	8,793,175	7,896,316
Debt service	986,626	846,573	917,680	779,527	716,070
Ratio of Debt service to noncapital expenditures	6.84%	6.03%	6.55%	6.13%	5.51%
Total expenditures	17,302,207	17,278,171	19,656,207	22,293,115	21,599,128
Excess (deficiency) of revenues over expenditures	496,076	1,217,898	(1,811,201)	(4,429,013)	(5,854,318)
Other financing sources (uses):					
Proceeds from debt issuance	2,761,180	-	-	1,621,875	900,000
Interfund Loans	-	-	375,000	600,000	-
Transfers in	347,780	154,360	318,393	361,108	725,771
Transfers out	(347,780)	(154,360)	(318,393)	(561,108)	(966,408)
Total other financing sources (uses)	2,761,180	-	375,000	2,021,875	659,363
Net Change in Fund Balance	3,257,256	1,217,898	(1,436,201)	(2,407,138)	(5,194,955)

CITY OF ASHLAND, OREGON
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years (continued)
For the Fiscal Year Ended June 30,

	2001	2000	1999	1998	1997
\$	6,934,972	\$ 6,262,184	\$ 6,212,932	\$ 6,021,073	\$ 5,567,827
	865,019	780,708	599,202	497,393	429,301
	6,704,367	1,658,050	2,142,086	1,490,137	1,687,862
	164,263	259,002	327,011	255,836	339,202
	3,336,396	3,095,292	1,597,564	1,590,292	1,420,615
	121,919	163,949	163,872	209,568	173,258
	808,711	175,560	331,626	213,501	233,343
	155,895	106,732	116,240	243,058	348,582
	<u>19,091,542</u>	<u>12,501,477</u>	<u>11,490,533</u>	<u>10,520,858</u>	<u>10,199,990</u>
	2,462,368	2,214,215	2,497,598	1,891,430	1,757,701
	6,823,528	6,374,244	5,622,387	4,996,842	5,140,704
	1,924,020	1,413,591	1,654,203	1,449,866	1,608,097
	-	-	-	48,589	37,399
	1,261,320	1,110,158	2,324,391	2,196,475	673,856
	802,088	611,393	650,449	894,126	735,371
	7.16%	6.11%	6.65%	10.66%	8.61%
	<u>13,273,324</u>	<u>11,723,601</u>	<u>12,749,028</u>	<u>11,477,328</u>	<u>9,953,128</u>
	<u>5,818,218</u>	<u>777,876</u>	<u>(1,258,495)</u>	<u>(956,470)</u>	<u>246,862</u>
	25,012	3,140,000	-	-	605,000
	-	-	-	-	(81,000)
	341,480	392,929	1,442,666	464,903	312,112
	<u>(298,980)</u>	<u>(367,500)</u>	<u>(719,166)</u>	<u>(426,500)</u>	<u>(279,500)</u>
	<u>67,512</u>	<u>3,165,429</u>	<u>723,500</u>	<u>38,403</u>	<u>556,612</u>
	<u>5,885,730</u>	<u>3,943,305</u>	<u>(534,995)</u>	<u>(918,067)</u>	<u>803,474</u>

**CITY OF ASHLAND, OREGON
FUND BALANCE COMPARISON
Last Ten Years**

Fund Balances	2006 Adopted	2005 Adopted	2004 Adopted	2003 Adopted	2002 Adopted
City Component					
General Fund	\$ 1,051,983	\$ 936,568	\$ 1,315,669	\$ 1,238,814	\$ 1,079,348
Community Development Block Grant Fund	-	-	-	-	-
Street Fund	733,073	1,976,046	1,065,590	1,764,790	1,377,392
Airport Fund	37,660	42,315	4,000	6,140	8,000
Capital Improvements Fund	3,609,193	389,839	429,000	1,150,300	1,782,000
Debt Service Fund	569,205	695,484	264,900	540,000	238,000
Water Fund	2,158,888	3,524,870	2,784,125	4,478,680	1,448,010
Wastewater Fund	3,899,968	4,463,795	1,726,251	754,800	2,004,896
Electric Fund	1,405,027	1,812,094	763,763	443,533	989,946
Telecommunications Fund	70,187	954,723	269,910	97,036	38,130
Central Services Fund	10,000	113,758	145,824	142,675	119,283
Insurance Services Fund	417,936	471,538	156,500	91,500	110,500
Equipment Fund	856,499	965,561	908,740	452,640	121,778
Cemetery Trust Fund	699,876	681,408	684,500	653,000	89,000
Total City Component	15,519,495	17,027,999	10,518,772	11,813,908	9,406,283
Parks Component					
Parks and Recreation Fund	993,667	965,822	815,000	782,294	805,300
Youth Activities Levy Fund	125,306	2,166	2,000	9,000	9,000
Parks Capital Improvements Fund	112,569	169,965	234,000	185,000	148,000
Total Parks Component	1,231,542	1,137,953	1,051,000	976,294	962,300
Total Budget	\$ 16,751,037	\$ 18,165,952	\$ 11,569,772	\$ 12,790,202	\$ 10,368,583

For the Fiscal Year Ended June 30,	2006	2005	2004	2003	2002
Fund Balances	Actual	Actual	Actual	Actual	Actual
City Component					
General Fund	\$ 2,326,936	\$ 2,093,388	\$ 1,755,145	\$ 1,715,220	\$ 1,865,212
Community Development Block Grant Fund	4,599	(8,492)	33,018	(32,433)	(35,904)
Street Fund	1,464,044	1,186,028	315,846	2,528,750	2,785,057
Airport Fund	54,874	122,942	218,377	32,135	22,560
Capital Improvements Fund	803,171	924,554	396,855	67,583	2,833,606
Debt Service Fund	459,095	423,842	433,278	282,293	136,978
Water Fund	6,179,246	6,458,230	5,002,748	4,662,028	1,985,298
Wastewater Fund	5,301,598	5,664,182	1,541,125	2,356,054	9,190,945
Electric Fund	2,116,269	2,527,430	1,539,766	1,497,827	1,069,861
Telecommunications Fund	518,687	898,750	62,635	388,018	1,982,175
Central Services Fund	439,010	185,137	569,013	947,953	823,405
Insurance Services Fund	1,060,790	1,036,331	934,499	145,978	204,263
Equipment Fund	1,510,170	1,489,055	1,224,311	1,121,598	783,340
Cemetery Trust Fund	719,429	702,629	684,476	679,646	72,823
Total City Component	22,957,918	23,704,006	14,711,092	16,392,650	23,719,619
Parks Component					
Parks and Recreation Fund	1,507,367	1,621,679	1,558,332	1,403,171	1,168,934
Youth Activities Levy Fund	35,374	103,733	122,588	36,403	36,341
Parks Capital Improvements Fund	165,326	207,375	300,331	367,733	280,337
Total Parks Component	1,708,067	1,932,787	1,981,251	1,807,307	1,485,612
Total Budget	\$ 24,665,985	\$ 25,636,793	\$ 16,692,343	\$ 18,199,957	\$ 25,205,231

**CITY OF ASHLAND, OREGON
FUND BALANCE COMPARISON
Last Ten Years (continued)**

2001 Adopted	2000 Adopted	1999 Adopted	1998 Adopted	1997 Adopted
\$ 1,152,000	\$ 679,000	\$ 549,000	\$ 345,000	\$ 287,000
-	-	-	-	-
804,322	378,000	100,000	250,000	292,000
23,000	22,000	15,000	15,000	20,000
3,611,000	2,588,000	2,255,000	1,081,000	360,000
293,000	427,000	399,000	504,000	559,000
3,032,000	1,804,000	1,619,000	1,851,000	1,555,000
3,036,000	2,380,000	7,110,000	6,389,000	5,177,000
108,000	1,580,000	1,340,000	1,084,000	879,000
-	-	-	-	-
230,000	242,000	725,000	529,000	512,000
72,000	786,000	814,000	1,357,000	1,690,000
685,000	680,000	664,000	649,000	632,000
13,046,322	11,566,000	15,590,000	14,054,000	11,963,000
735,715	577,000	180,000	240,000	636,000
	-	34,000	52,000	-
	195,000	564,000	521,000	286,000
735,715	772,000	778,000	813,000	922,000
\$ 13,782,037	\$ 12,338,000	\$ 16,368,000	\$ 14,867,000	\$ 12,885,000

2001 Actual	2000 Actual	1999 Actual	1998 Actual	1997 Actual
\$ 1,962,295	\$ 1,888,103	\$ 1,480,895	\$ 1,143,000	\$ 1,191,000
(142,463)	3,744	3	-	-
2,160,057	1,176,078	218,663	287,000	766,000
16,844	22,292	32,771	45,000	33,000
8,701,848	3,600,676	539,004	1,120,000	1,572,000
103,883	225,841	625,738	493,000	750,000
3,905,152	4,708,031	3,243,350	3,222,000	2,364,000
9,198,221	10,454,701	8,358,755	5,944,000	5,681,000
1,249,047	1,560,301	1,500,976	1,731,000	1,883,000
119,745	1,902,118			
436,624	96,609	68,154	120,000	180,000
299,415	502,000	630,294	1,135,000	1,131,000
526,894	253,019	370,944	1,682,000	1,926,000
669,517	663,140	660,698	650,000	637,000
29,207,079	27,056,653	17,730,245	17,572,000	18,114,000
1,023,774	1,196,511	1,966,643	1,003,000	1,306,000
125,706	125,191	133,769	41,000	43,000
151,955	295,000	536,494	570,000	550,000
1,301,435	1,616,702	2,636,906	1,614,000	1,899,000
\$ 30,508,514	\$ 28,673,355	\$ 20,367,151	\$ 19,186,000	\$ 20,013,000

CITY OF ASHLAND, OREGON
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
for the last ten fiscal years - Unaudited

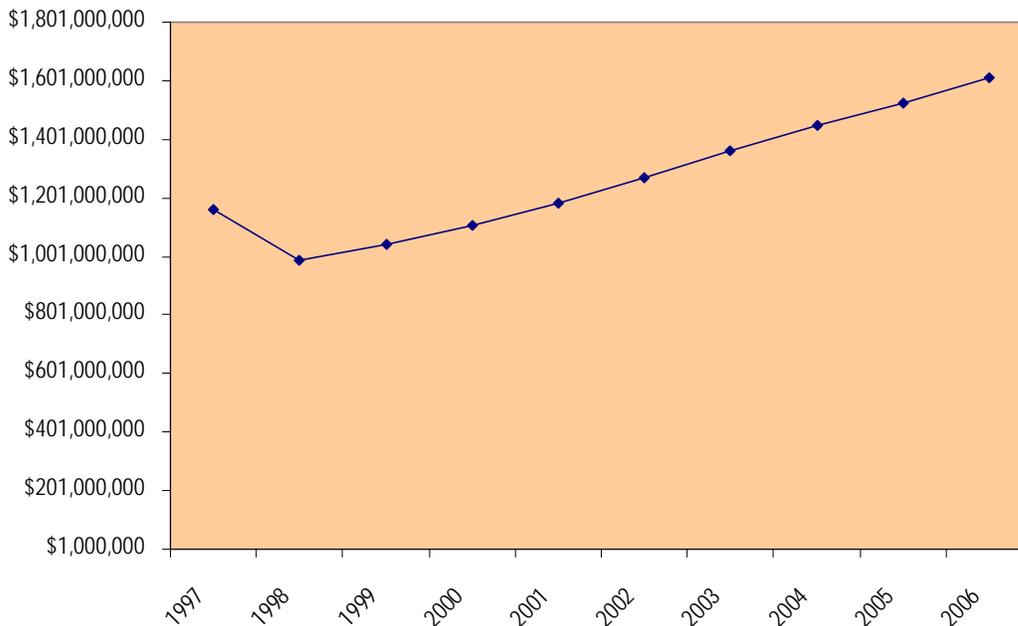
Fiscal Year Ended June 30,	Real Property	Mobile Home	Personal ¹	Utilities	Total	Taxable ratio (True Cash Value to Assessed)
2006	\$ 1,610,148,502	\$ 5,301,570	\$ 38,820,610	\$ 20,344,260	\$ 1,674,614,942	51.3%
2005	1,524,210,039	5,108,410	38,419,400	27,532,841	1,595,270,690	56.4%
2004	1,446,150,336	5,400,552	37,453,000	22,831,681	1,511,835,569	61.7%
2003	1,360,297,002	5,147,040	34,209,260	24,241,450	1,423,894,752	61.1%
2002	1,272,205,820	4,983,960	32,044,090	23,806,860	1,333,040,730	68.6%
2001	1,183,527,490	4,760,560	30,004,310	21,823,850	1,240,116,210	83.0%
2000	1,106,322,240	4,241,270	26,183,680	20,989,320	1,157,736,510	94.0%
1999	1,039,559,010	4,439,960	25,093,370	19,043,890	1,088,136,230	87.0%
1998	989,442,520	4,186,640	24,490,630	17,563,860	1,035,683,650	83.0%
1997	1,161,561,340	4,203,470	22,063,340	16,872,790	1,204,700,940	100.0%

All property is evaluated once every six years as required by State Statute

¹ Includes Non-Profit Housing

Source: County Assessor tax roll property values

**Real Property Value
Last Ten Years**



CITY OF ASHLAND, OREGON
PROPERTY TAX RATES- DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$1,000 of Assessed Valuation)
for the last ten fiscal years - Unaudited

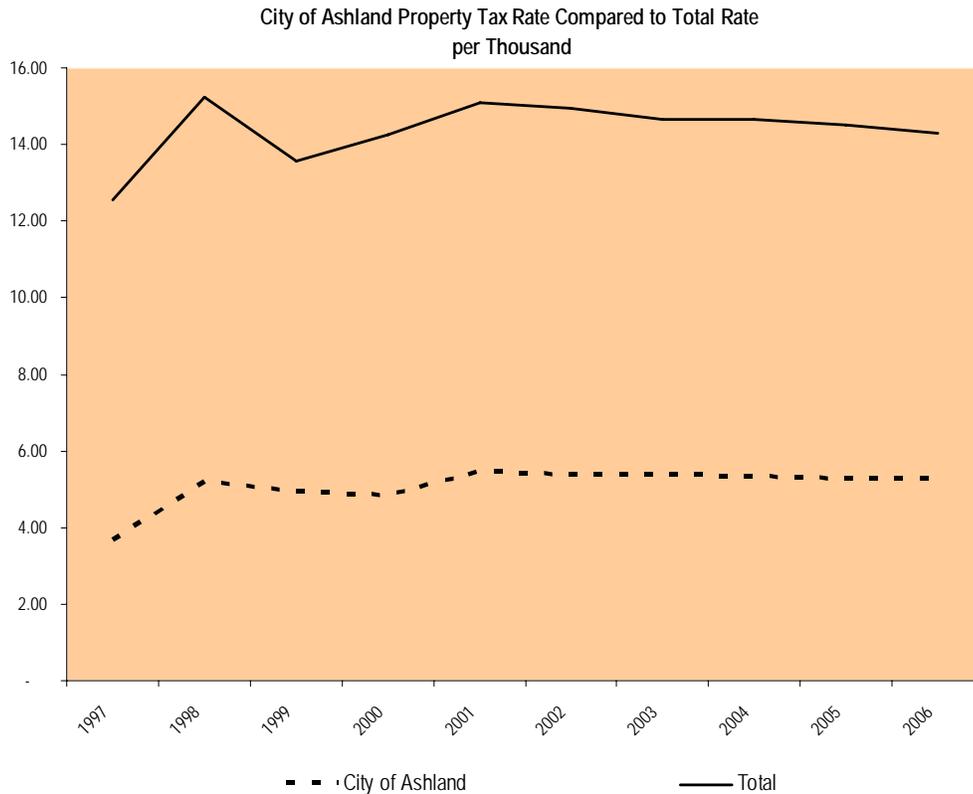
Fiscal Year Ended June 30,	City of Ashland	Jackson County Historical Society ²	Jackson County Vector Control	Jackson County ²	Rogue Valley Transit District	Net General Government Tax Rate	Jackson County Education Service District	School District 5	RCC ³	Ballot Measure 5 School Support Compression ¹	Net School Support Tax Rate	Total
2006	\$ 5.25		0.04	2.55	0.17	8.01	0.34	5.31	0.62		6.28	\$14.28
2005	5.26		0.04	2.75	0.17	8.22	0.34	5.44	0.50		6.28	14.50
2004	5.34		0.04	2.79	0.17	8.34	0.34	5.49	0.50		6.33	14.67
2003	5.36		0.04	2.70	0.17	8.27	0.34	5.53	0.50		6.37	14.64
2002	5.38		0.04	2.66	0.18	8.26	0.86	5.83			6.69	14.95
2001	5.46		0.04	2.56	0.18	8.24	1.84	5.03			6.87	15.11
2000	4.81		0.04	2.25	0.18	7.28	1.95	5.03			6.98	14.26
1999	4.92		0.04	2.01	0.18	7.15	0.35	6.08			6.43	13.58
1998	5.18		0.04	2.00	0.18	7.40	0.88	13.93		(6.99)	7.82	15.22
1997	3.66	0.23	0.04	1.11	0.18	5.22	0.88	13.93		(7.46)	7.35	12.57

¹ Oregon Measure 5 limited the effective tax rates of General Government and School Support after December 7, 1990. At the present time, only school support tax rates have been compressed and limited

² Oregon Measure 47 combined with Jackson County tax rate since 1997-98

³ Rogue Community College

Source: Jackson County Assessor and Tax Collector



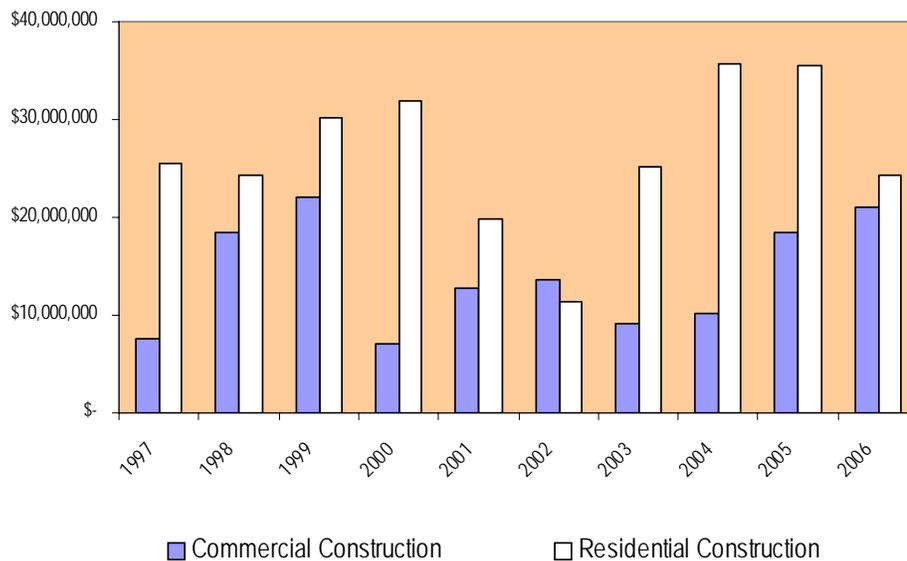
CITY OF ASHLAND, OREGON
PROPERTY VALUE AND NEW CONSTRUCTION HISTORY
for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30,	Property Value ¹	Commercial Construction		Residential Construction	
		Number of Units	Value	Number of Units	Value
2006	\$ 1,674,614,942	19	\$ 20,988,810	160	\$ 24,336,944
2005	1,595,270,690	42	18,426,846	188	35,576,749
2004	1,511,835,569	30	10,137,442	154	35,764,484
2003	1,423,894,752	17	9,077,761	152	25,170,310
2002	1,333,040,730	17	13,702,661	106	11,464,493
2001	1,240,116,210	9	12,715,512	150	19,907,603
2000	1,157,736,510	15	7,081,675	233	31,940,531
1999	1,088,136,230	17	22,097,963	169	30,183,930
1998	1,035,683,650	14	18,453,404	154	24,364,300
1997	1,204,700,940	11	7,531,135	140	25,559,489

¹ Property value is assessed valuation

Source: City of Ashland, Community Development Department
Jackson County Assessor

**Commercial and Residential Construction
Last Ten Years**



CITY OF ASHLAND, OREGON
FOOD AND BEVERAGE TAX REVENUES BY FUND
(Amounts Expressed in Thousands)
for the last ten fiscal years- Unaudited

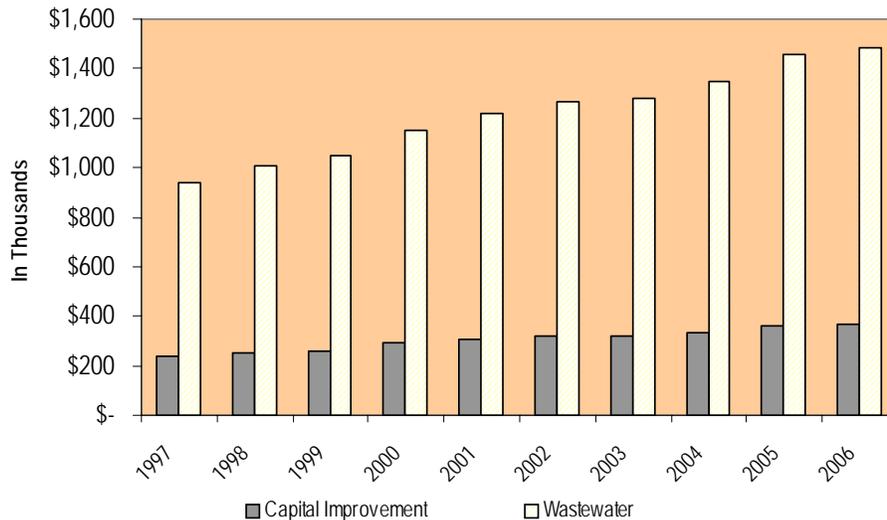
Fiscal Year Ended June 30,	Capital Improvement ³	Wastewater ²	Total ¹	Cumulative
2006	\$ 370	\$ 1,481	\$ 1,851	\$ 18,614
2005	364	1,454	1,818	16,763
2004	337	1,347	1,684	14,945
2003	320	1,280	1,600	13,261
2002	317	1,268	1,585	11,661
2001	307	1,219	1,526	10,076
2000	292	1,151	1,443	8,550
1999	262	1,047	1,309	7,107
1998	251	1,007	1,258	5,798
1997	235	940	1,175	4,540

¹ Tax enacted July 1, 1993

² Derived from wastewater enterprise operations

³ Dedicated to acquisition of Open Space Parkland

**Food and Beverage Tax Revenues by Fund
Last Ten Years**



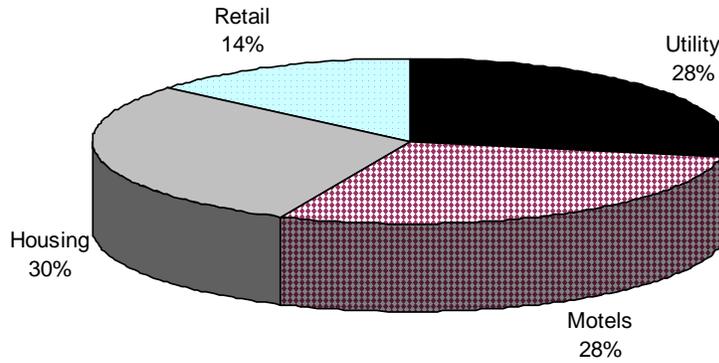
CITY OF ASHLAND, OREGON
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

<u>Taxpayers</u>	<u>Type of Business</u>	2006 Assessed Valuation	Percentage of Total Assessed Valuation
Qwest Corporation	Utility	\$ 11,162,700	0.67%
Windmill Inns of America, Inc.	Motels	9,779,610	0.58%
Ronald L. Deluca	Housing	8,673,130	0.52%
Avista Corp.	Utility	6,342,700	0.38%
Financial Pacific, Inc.	Housing	5,318,910	0.38%
Michael D. & Beverly Rydbom	Retail	4,457,080	0.32%
Skylark Assisted Living	Housing	4,394,680	0.27%
Bard's Inn Limited	Motels	4,193,980	0.26%
Summit Investment	Retail	4,105,890	0.25%
Windsor Inn	Motels	3,721,830	0.25%
All other		<u>1,612,464,432</u>	<u>96.29%</u>
Total		<u><u>\$ 1,674,614,942</u></u>	<u><u>100.00%</u></u>

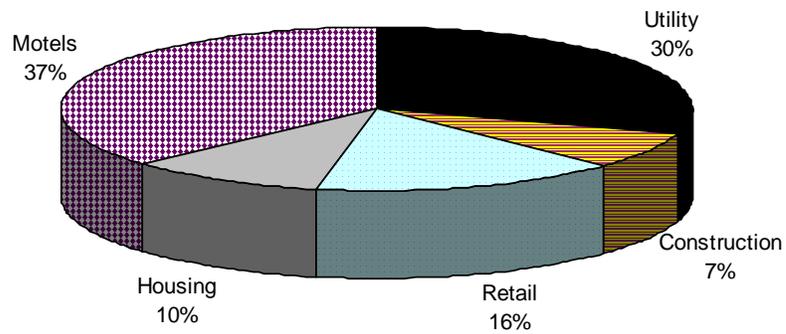
<u>Taxpayers</u>	<u>Type of Business</u>	1997 Assessed Valuation	Percentage of Total Assessed Valuation
AHI Inc.	Motels	\$ 14,752,870	1.22%
US West Communications Inc.	Utility	9,339,270	0.78%
Washington Water Power Co.	Utility	5,522,080	0.46%
Warren Family Limited Partnership	Construction	3,495,900	0.29%
Brodeur/Brodeur Inc.	Motels	3,282,860	0.27%
Payless Drug Stores	Retail	2,700,000	0.22%
Stand-By Corporation Inc.	Retail	2,635,620	0.22%
Ashland Investment Group	Housing	2,550,000	0.21%
MDK Investments	Housing	2,550,000	0.21%
Albertsons's Inc	Retail	2,520,450	0.21%
All other		<u>1,155,351,890</u>	<u>95.90%</u>
Total		<u><u>\$ 1,204,700,940</u></u>	<u><u>100.00%</u></u>

Source: Jackson County Assessor

2006 Principal Property Tax Payers



1997 Principal Property Tax Payers



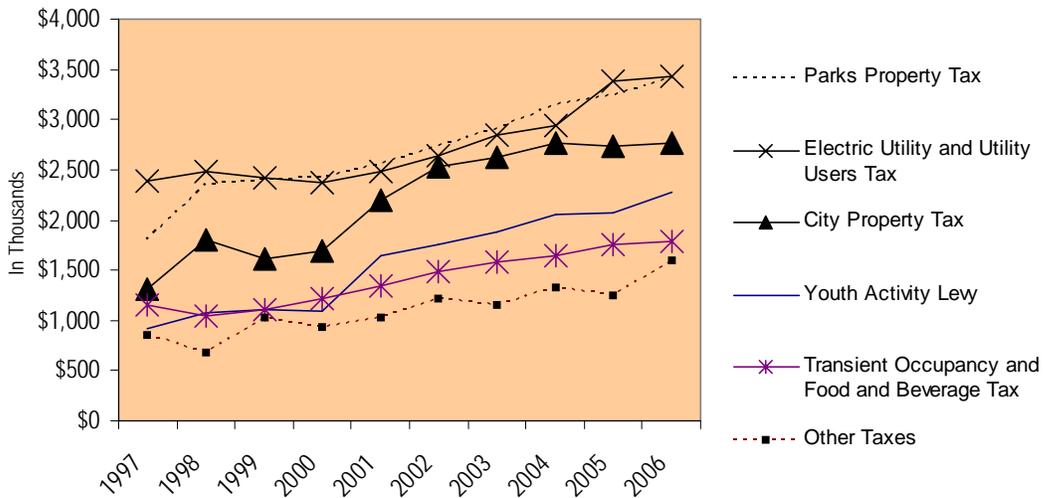
CITY OF ASHLAND, OREGON
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
(Amounts Expressed in Thousands)
for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30,	Combined Property Taxes	Electric Utility Franchise ¹	Utility Users Tax ¹	Other Franchise and Privilege Taxes	Transient Occupancy Tax	Food and Beverage Tax ²	Business License Tax	Total
2006	\$ 8,801	\$ 1,111	\$ 2,323	\$ 1,399	\$ 1,414	\$ 370	\$ 205	\$ 15,623
2005	8,061	1,106	2,277	1,101	1,390	364	155	14,454
2004	7,970	842	2,103	1,178	1,309	337	155	13,894
2003	7,426	914	1,929	997	1,255	320	153	12,994
2002	7,010	870	1,770	1,060	1,168	317	157	12,352
2001	6,414	833	1,648	887	1,039	307	141	11,269
2000	5,182	781	1,594	783	930	292	148	9,710
1999	5,130	769	1,651	881	840	262	140	9,673
1998	5,246	827	1,656	542	793	251	142	9,457
1997	4,039	804	1,631	721	731	235	132	8,293

¹ Derived from city-owned electric utility operations

² Tax enacted July 1, 1993

General Governmental Tax Revenues by Source



CITY OF ASHLAND, OREGON
PROPERTY TAX LEVIES AND COLLECTIONS
for the last ten fiscal years - Unaudited

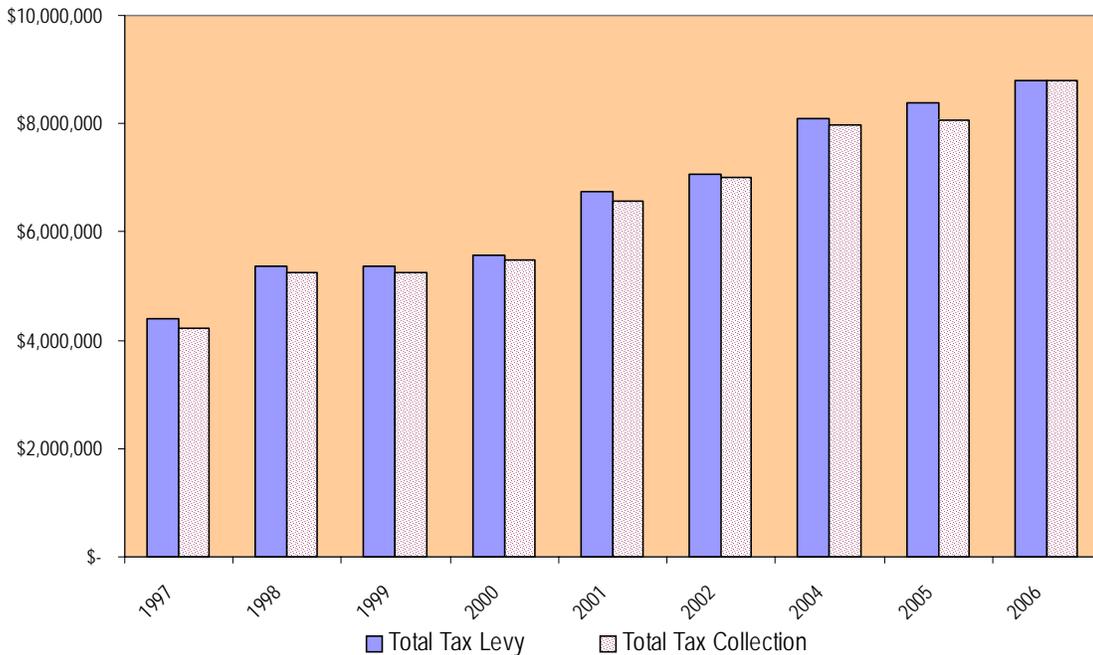
Fiscal Year Ended June 30,	Total Tax Levy ¹	Current Tax Collections ³	Percent of Levy Collected	Delinquent Tax Collections ^{2,3}	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2006	\$ 8,803,680	\$ 8,428,550	95.7%	\$ 372,526	\$ 8,801,076	100.0%	\$ 642,298	7.3%
2005	8,399,000	7,753,164	92.3%	307,911	8,061,075	96.0%	535,484	6.4%
2004	8,103,092	7,618,841	94.0%	351,635	7,970,476	98.4%	661,833	8.2%
2003	7,643,588	7,100,832	92.9%	325,084	7,425,916	97.2%	717,103	9.4%
2002	7,078,000	6,611,284	93.4%	398,332	7,009,616	99.0%	690,652	9.8%
2001	6,735,000	6,304,073	93.6%	264,836	6,568,909	97.5%	613,710	9.1%
2000	5,576,000	5,109,088	91.6%	367,430	5,476,518	98.2%	542,712	9.7%
1999	5,359,000	4,701,836	87.7%	535,791	5,237,627	97.7%	487,762	9.1%
1998	5,368,362	4,907,232	91.4%	338,875	5,246,107	97.7%	448,995	8.4%
1997	4,407,560	3,954,755	89.7%	257,885	4,212,640	95.6%	447,854	10.2%

¹ Includes levy within the tax base, levy for bonded indebtedness, miscellaneous assessment payments in lieu of tax and tax levy shared offsets

² Delinquent taxes collected represent accumulative amounts for the specific fiscal year

³ Includes adjustments, rounding and discounts

Property Tax Levies and Collections



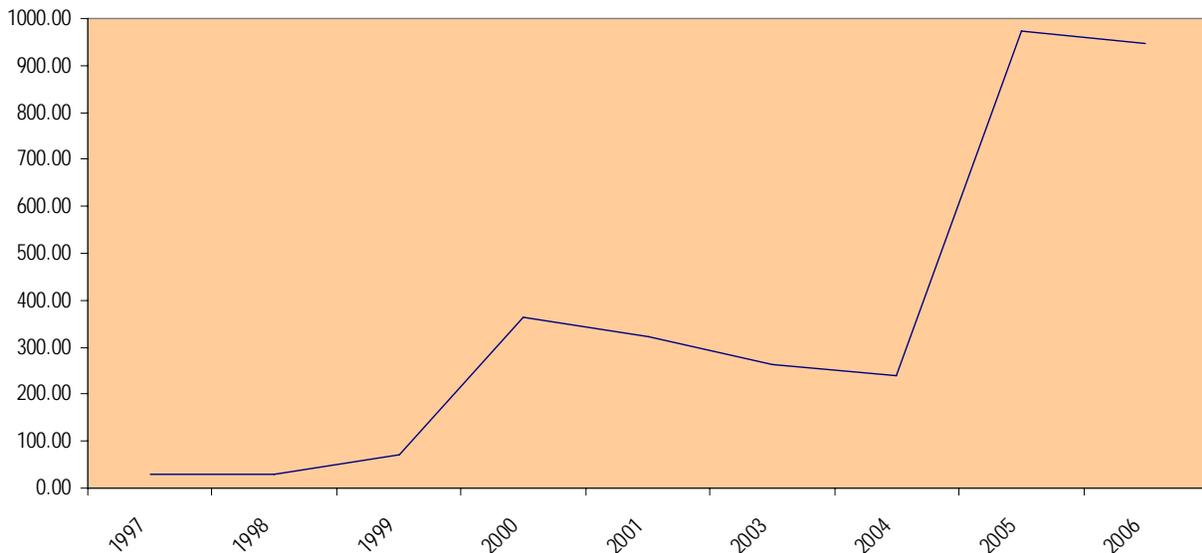
CITY OF ASHLAND, OREGON
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND
NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30,	Population ¹	Percentage Change	Assessed Value ²	Gross Bonded Debt ³	Debt Service Fund Monies Available	Enterprise Fund Monies Available	Debt Payable from Enterprise Revenues ⁴	Net General Obligation Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2006	20,880	1.41%	\$ 1,674,614,942	\$ 49,105,540	\$ 459,095	\$ 1,913,648	\$ 41,842,256	\$ 19,770,000	1.18%	\$ 946.84
2005	20,590	0.78%	1,595,270,690	48,595,783	423,842	1,913,648	43,614,513	20,045,000	1.26%	973.05
2004	20,430	1.49%	1,511,835,569	43,746,882	433,278	1,281,341	36,866,762	4,875,000	0.32%	239.11
2003	20,130	1.82%	1,423,894,752	42,804,005	282,293	1,913,648	38,884,073	5,280,000	0.37%	262.30
2002	19,770	0.82%	1,333,040,730	41,503,298	136,978	2,830,609	32,700,711	5,835,000	0.44%	295.14
2001	19,610	0.62%	1,240,116,210	34,976,385	132,019	694,697	27,799,669	6,350,000	0.51%	323.81
2000	19,490	1.40%	1,157,736,510	31,454,293	225,841	584,621	23,553,831	7,090,000	0.61%	363.78
1999	19,220	3.56%	1,088,136,230	14,715,508	522,083	333,888	12,484,537	1,375,000	0.13%	71.54
1998	18,560	1.09%	1,035,683,650	8,220,000	149,017	850,362	6,665,000	555,621	0.05%	29.94
1997	18,360	2.09%	1,204,700,940	7,777,957	381,623	694,411	6,183,546	518,377	0.04%	28.23

Source:

- ¹ Center for Population Research and Census, Portland State University
- ² County Assessor Tax Roll Property Value Records
- ³ City Financial Records - includes all long-term general obligation debt, including general obligation special assessments, general obligation bonds and general obligation warrants from City of Ashland financial records
- ⁴ Includes general obligation debt paid from Hospital Enterprise Fund operations, Utility Services Revenue Fund operations and special assessment payments from benefited property owners

**Net Bonded Debt Per Capita
Last Ten Years**

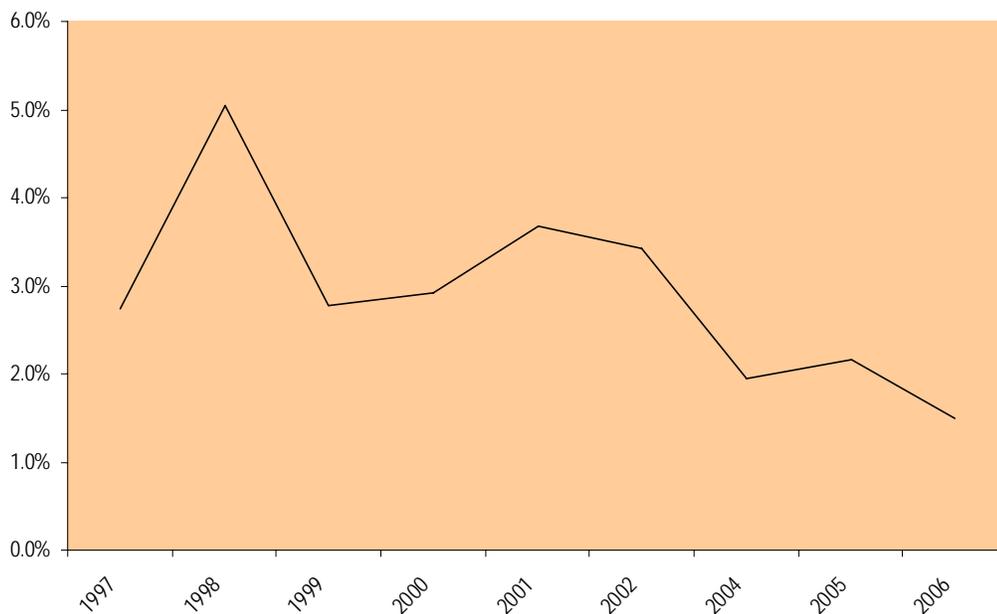


CITY OF ASHLAND, OREGON
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30,	Principal	Interest	Total Debt Service †	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2006	\$ 195,000	\$ 62,360	257,360	\$ 17,302,206	1.5%
2005	185,000	187,607	372,607	17,278,171	2.2%
2004	185,000	196,353	381,353	19,656,207	1.9%
2003	170,000	199,068	369,068	22,293,115	1.7%
2002	280,000	188,809	468,809	13,724,000	3.4%
2001	210,000	232,044	442,044	12,021,000	3.7%
2000	215,000	96,081	311,081	10,626,000	2.9%
1999	145,000	144,515	289,515	10,427,000	2.8%
1998	425,000	40,320	465,320	9,213,000	5.1%
1997	155,000	97,560	252,560	9,245,000	2.7%

† Includes General, Special Revenue Funds, and Debt Service Funds

**Ratio of Debt Service to General Governmental Expenditures
Last Ten Years**



CITY OF ASHLAND, OREGON
PLEDGED REVENUE COVERAGE
WATER FUND
for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30,	Gross Revenues	Operating Expenses	Future Rate Stabilization Offset ³	Net Revenues Available for Debt Service	Debt Service Requirements ⁴			Coverage
					Principal	Interest	Total	
2006	\$ 4,531,503	\$ 2,591,347	\$ -	\$ 1,940,156	\$ 320,000	\$ 140,456	\$ 460,456	4.21
2005	4,428,981 ¹	1,825,395 ²	-	2,603,586	320,000	146,856	466,856	5.58
2004	5,015,140 ¹	3,375,551 ²	-	2,006,445	345,000	127,347	472,347	3.51
2003	3,478,958	2,340,293	100,000	1,038,665	155,000	171,727	326,727	3.18
2002	3,634,789	2,020,392	600,000	1,014,397	150,000	179,888	329,888	3.07
2001	3,464,218	2,252,410	600,000	611,808	140,000	187,502	327,502	1.87
2000	3,241,760	2,358,054		883,706	135,000	194,518	329,518	2.68
1999	2,794,002	1,868,660		925,342	125,000	200,955	325,955	2.84
1998	2,477,079	1,621,087		855,992	120,000	206,837	326,837	2.62
1997	2,731,576	1,865,895		865,681	115,000	212,245	327,245	2.65

¹ Total Operating Revenues including System Development Charges

² Total operating expenses not including Interfund Loan, Capital Outlay, Existing Debt, and Franchise Taxes paid

³ Gross revenues in excess of those necessary to meet current debt service obligations by covenant available to assure coverage in future fiscal periods

⁴ Includes Revenue Bond principal and interest amounts transferred to registered paying agent irrespective of actual bond maturities

CITY OF ASHLAND, OREGON
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Four Years

Governmental Activities			<u>Notes and Contracts</u>		
Fiscal Year Ended June 30,	General Obligation Bonds	Percent of Assessed Value	Promissory Notes	OECCD Loans	Per Capita ¹
2006	\$ 3,280,000	0.20%	\$ 1,066,510	\$ 2,916,774	\$ 347.86
2005	3,050,000	0.19%	1,215,270	2,079,804	308.16
2004	3,235,000	0.21%	8,758,585	2,231,077	696.26
2003	3,420,000	0.24%	1,343,423	2,249,447	348.38

Business - type Activities					
Fiscal Year Ended June 30,	General Obligation Bonds	Percent of Assessed Value	Revenue Bonds and Notes	DEQ Loan	Per Capita
2006	\$ 16,500,000	0.99%	\$ 4,640,000	\$ 20,702,256	\$ 1,213.71
2005	16,995,000	1.07%	4,960,000	21,659,513	1,292.84
2004	1,650,000	0.11%	5,280,000	22,584,762	1,444.68
2003	1,860,000	0.13%	13,545,000	23,479,073	1,931.65

¹ Per Capita is calculated using the total debt for the category divided by population shown on Ratio of Net General Obligation Bonded Debt to Assessed Value Schedule

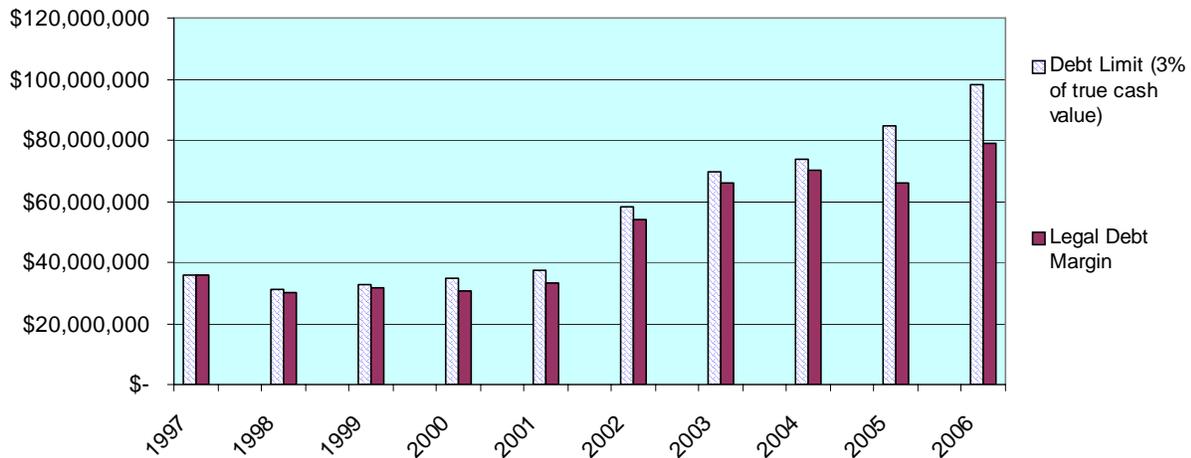
OECCD - Oregon Economic and Community Development Department

DEQ - Oregon Department of Environmental Quality

**CITY OF ASHLAND, OREGON
LEGAL DEBT MARGIN
Last Ten Years
For the Fiscal Year Ended June 30,**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
True Cash Value	<u>\$ 3,266,109,773</u>	<u>\$ 2,827,489,200</u>	<u>\$ 2,450,551,643</u>	<u>\$ 2,327,582,133</u>	<u>\$ 1,943,471,450</u>
Legal Debt Margin					
Debt Limit (3% of true cash value)	<u>\$ 97,983,293</u>	<u>\$ 84,824,676</u>	<u>\$ 73,516,549</u>	<u>\$ 69,827,464</u>	<u>\$ 58,304,144</u>
Net Bonded Debt:					
Gross bonded debt	19,780,000	20,045,000	4,875,000	5,280,000	6,135,000
Less amounts exempted:					
Water	(60,000)	(85,000)	(100,000)	(125,000)	(145,000)
Special assessment	-	-	-	-	(55,000)
Refunding	-	-	-	(75,000)	(325,000)
Water Refunding	<u>(940,000)</u>	<u>(1,075,000)</u>	<u>(1,205,000)</u>	<u>(1,325,000)</u>	<u>(1,440,000)</u>
Total debt applicable to margin	<u>18,780,000</u>	<u>18,885,000</u>	<u>3,570,000</u>	<u>3,755,000</u>	<u>4,170,000</u>
LEGAL DEBT MARGIN	<u>\$ 79,203,293</u>	<u>\$ 65,939,676</u>	<u>\$ 69,946,549</u>	<u>\$ 66,072,464</u>	<u>\$ 54,134,144</u>

**Legal Debt Margin
Compared to Debt Limit
Last Ten Years**



**CITY OF ASHLAND, OREGON
LEGAL DEBT MARGIN
Last Ten Years (continued)
For the Fiscal Year Ended June 30,**

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
<u>\$ 1,240,116,210</u>	<u>\$ 1,157,736,510</u>	<u>\$ 1,089,529,060</u>	<u>\$ 1,035,683,650</u>	<u>\$ 1,201,600,940</u>
<u>\$ 37,203,486</u>	<u>\$ 34,732,095</u>	<u>\$ 32,685,872</u>	<u>\$ 31,070,510</u>	<u>\$ 36,048,028</u>
6,530,000	7,090,000	4,255,000	4,760,000	4,295,000
(165,000)	(185,000)	(205,000)	(305,000)	(2,030,000)
(180,000)	(255,000)	(335,000)	(475,000)	(900,000)
(550,000)	(765,000)	(980,000)	(1,180,000)	(1,365,000)
<u>(1,555,000)</u>	<u>(1,670,000)</u>	<u>(1,695,000)</u>	<u>(1,720,000)</u>	<u>-</u>
<u>4,080,000</u>	<u>4,215,000</u>	<u>1,040,000</u>	<u>1,080,000</u>	<u>-</u>
<u>\$ 33,123,486</u>	<u>\$ 30,517,095</u>	<u>\$ 31,645,872</u>	<u>\$ 29,990,510</u>	<u>\$ 36,048,028</u>

CITY OF ASHLAND, OREGON
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2006 - Unaudited

True cash value	\$	3,266,109,773	
3% of the true cash value		0.03	
	\$		97,983,293
 NET BONDED DEBT:			
Gross bonded debt		19,780,000	
Less amounts exempted:			
Water		(60,000)	
Water Refunding		(940,000)	
Total debt applicable to margin			18,780,000
LEGAL DEBT MARGIN	\$		79,203,293

ORS 287.004 provides a debt limit of 3% of the true cash value of all taxable property within the Municipality's boundaries. According to ORS 287.004, the 3% limitation does not apply to bonds issued for water, sanitary or storm sewers, sewage disposal plants, hospitals, power or lighting purposes, nor to bonds issued pursuant to applications to pay assessments for improvements or installments for benefited property owners.

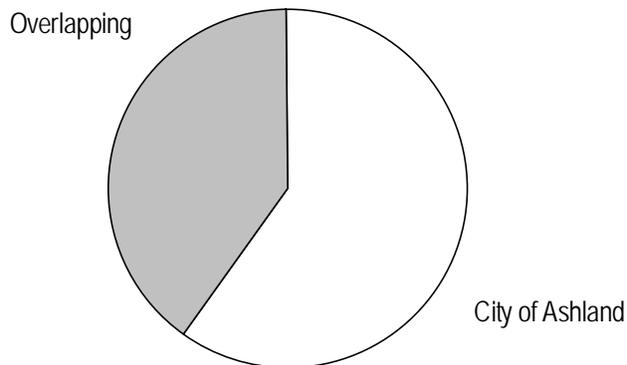
Source: Jackson County Assessor's Office
Audited Financial Statements
Oregon Revised Statutes (ORS) 287.004

CITY OF ASHLAND, OREGON
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
June 30, 2006 - Unaudited

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City	Amount Applicable to City
Direct:			
City of Ashland	\$ 19,780,000	100.00%	\$ 19,780,000
Overlapping			
Jackson County	41,370,000	14.75%	6,103,357
School District #5	2,875,000	80.47%	2,313,416
Rogue Community College	44,950,000	10.81%	4,860,129
	<u>\$ 108,975,000</u>		<u>\$ 13,276,903</u>
	<u>\$ 108,975,000</u>		<u>\$ 33,056,903</u>

Source: State of Oregon, Office of Treasurer

City of Ashland
Bonded Debt Compared to Overlapping Debt



**CITY OF ASHLAND, OREGON
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

2006		
Employer	Employees	Percentage of Total City Employment
Southern Oregon University	850	8.72%
Ashland Community Hospital	410	4.20%
Oregon Shakespeare Festival	398	4.08%
Ashland Public Schools	350	3.59%
City of Ashland*	229	2.35%
Butler Ford	160	1.64%
Pathway Enterprises	140	1.44%
Ashland Food Cooperative	130	1.33%
Professional Tool Mfg. LLC	100	1.03%
Prestige Care (Linda Vista)	75	0.77%
Total	<u>2,842</u>	<u>29.14%</u>
Total City Employment	<u>9,752</u>	

1997		
Employer	Employees	Percentage of Total City Employment
Southern Oregon State College	740	12.33%
Public Schools	382	6.37%
Oregon Shakespeare Festival	430	7.17%
Ashland Community Hospital	264	4.40%
Southern OR Training & Habilitation	246	4.10%
City of Ashland*	197	3.28%
Darex Corporation	135	2.25%
Butler Ford	100	1.67%
Linda Vista Care	85	1.42%
Parson's Pine Products	71	1.18%
Total	<u>2,650</u>	<u>44.17%</u>
Total City Employment	<u>6,000</u>	

Source: Ashland Chamber of Commerce
Oregon Employment Department

* Excludes Ashland Parks Commission

**CITY OF ASHLAND, OREGON
DEMOGRAPHIC STATISTICS
for the last ten fiscal years - Unaudited**

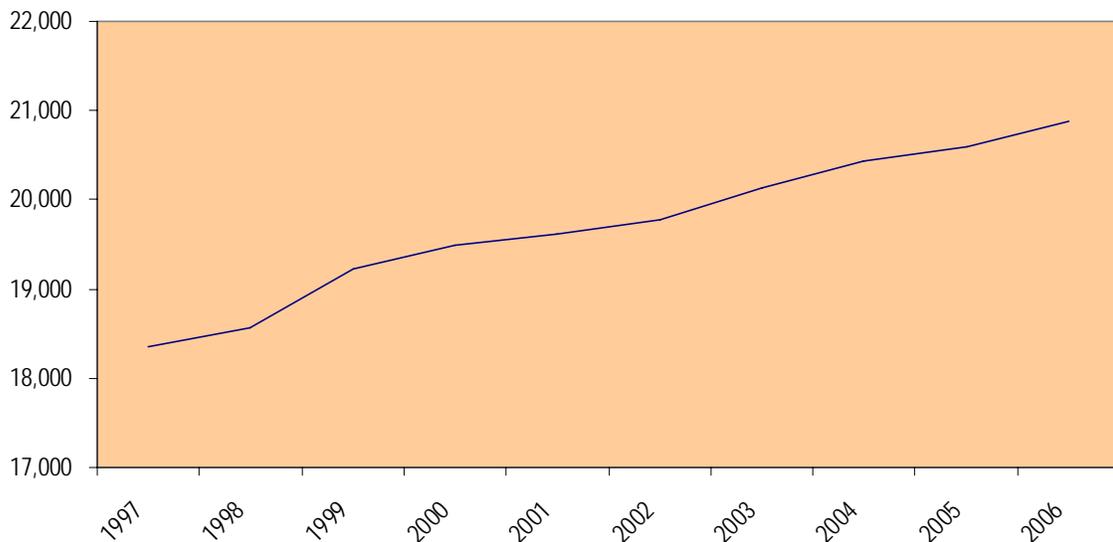
Fiscal Year Ended June 30,	Population ¹	Percentage Change	Per Capita Income ²	School Enrollment ³	Unemployment Rate Jackson Co. ²
2006	20,880	1.41%	N/A	2,777	5.7%
2005	20,590	0.78%	N/A	2,920	6.2%
2004	20,430	1.49%	28,531	3,138	7.3%
2003	20,130	1.82%	26,477	3,321	6.8%
2002	19,770	0.82%	25,772	3,393	6.6%
2001	19,610	0.62%	24,917	3,411	5.9%
2000	19,490	1.40%	23,914	3,258	5.7%
1999	19,220	3.56%	22,649	3,309	6.4%
1998	18,560	1.09%	21,565	3,358	6.6%
1997	18,360	2.09%	21,410	3,384	7.3%

¹ Center for Population and Research and Census,
and Portland State University

² Bureau of Economic Analysis

³ Ashland School District

**Population Growth
Last Ten Years**



CITY OF ASHLAND, OREGON
SCHEDULE OF MAJOR INSURANCE IN FORCE
June 30, 2006

Company	Coverage	Policy Period	General Aggregate/Each Occurrence	Premium
City County Insurance Services	General Liability			\$ 160,688
	Commercial General Liability	07/01/2005-06/30/2006	\$ 3,000,000 / \$ 1,000,000	
	Public Officials Liability	07/01/2005-06/30/2006	\$ 3,000,000 / \$ 1,000,000	
	Employment Practices	07/01/2005-06/30/2006	\$ 3,000,000 / \$ 1,000,000	
	Occurrence	07/01/2005-06/30/2006	\$ 3,000,000 / \$ 1,000,000	
	Automobile Liability			36,582
	Scheduled Autos	07/01/2005-06/30/2006	None / \$ 1,000,000	
	Hired Autos	07/01/2005-06/30/2006	None / \$ 1,000,000	
	Non-Owned Autos	07/01/2005-06/30/2006	None / \$ 1,000,000	
	Auto Physical Damage			16,204
	Scheduled Autos	07/01/2005-06/30/2006	Per Filed Value	
	Hired Autos	07/01/2005-06/30/2006	Per Filed Value	
	Non-Owned Autos	07/01/2005-06/30/2006	Per Filed Value	
	Property	07/01/2005-06/30/2006		79,033
	Buildings		Per Filed Value	
Mobile Equipment		Per Filed Value		
Boiler and Machinery	07/01/2005-06/30/2006	Replacement Cost of Contents of Wastewater Treatment Plant	5,475	
The Hartford	Flood	10/22/2005-10/22/2006	\$ 51,600	667
Self-Insured	Workers' Compensation Bond	07/01/2005-06/30/2006	\$ 500,000 / \$350,000 / \$100,000	303,000
Safety National Casualty Corp.	Excess Workers' Compensation	07/01/2005-06/30/2006	Statutory	23,156

CITY OF ASHLAND, OREGON
CITY EMPLOYEE BY FUNCTION/PROGRAM
For the Fiscal Year Ended June 30,

<u>Function/Program</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Administration	3.00	3.00	3.00
Human Resources	2.00	2.00	2.00
Legal	3.50	3.50	3.50
Information Technology	7.60	6.45	4.95
Finance	17.50	16.50	15.80
Municipal Court	4.15	3.75	3.00
City Recorder/Treasurer	2.00	2.00	2.00
Police	39.80	39.80	37.30
Fire	35.00	34.00	32.00
Streets	10.20	9.70	9.45
Water	14.80	14.80	13.70
Wastewater	11.80	11.80	12.55
Public Works Administration	8.00	8.00	6.75
Engineering	6.00	6.00	5.75
Facilities Maintenance/Cemetery	4.00	4.00	4.00
Fleet Maintenance	3.50	3.50	3.60
Planning	10.50	8.65	8.45
Building	6.50	6.55	6.55
Electric	18.10	17.15	14.40
Telecommunication	8.05	9.65	8.65
Conservation	3.00	2.80	3.00
Senior Program	*	1.75	1.75
Subtotal	219.00	215.35	202.15
Parks	48.45	45.90	37.40
Total	267.45	261.25	239.55

* Senior Program included in Parks in 2006
2004 figures do not include temporary employees

CITY OF ASHLAND, OREGON
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Years

Function/Program	2006	2005	2004	2003	2002
Police					
Physical Arrests, Juvenile and Adult (non traffic)	1,816	2,004	2,293	2,412 ²	300
Traffic Violations	3,773	4,608	4,405	5,858	4,358
Fire					
Fire Alarm Responses	425	415	388	319	272
Emergency Medical Responses	2,716	2,952	2,428	2,294	2,404
Non-emergency Public Service Responses	109	100	90	127	78
Code Enforcement Plans Review	535	644	721	643	475
Total Calls for Service	4,000	3,285	3,186	2,922	2,740
Total Ambulance Patient Transports	1,511	1,243	1,274	989	863
Water					
Service Connections	7,870	7,764	7,609	7,419	7,214
Daily Average Consumption in Millions of Gallons	4	3	4	3	3
Maximum Daily Capacity of Plant in Million Gallons	8	8	8	8 ¹	10
Sewer					
Service Connections	7,722	7,583	7,455	7,290	7,091
Daily Average Treatment in Million Gallons	2	2	2	2	2
Maximum Daily Capacity in Million Gallons	4	4	4	4	6
Electric					
Service Connections	11,277	11,062	10,561	10,374	10,490
Telecommunications					
Cable TV	3,095	3,170	3,100	2,961	2,499
Cable Modem	3,823	3,686	3,435	3,040	2,323
Potential Station Capacity	140 ³	161	161	161	161

¹ Identifies correction to capacity

² Identifies the implementation of new software that correctly accounts for crimes

³ Identifies digital channels only apposed to both digital and analog in previous years

CITY OF ASHLAND, OREGON
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Years (continued)

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
287	287	363	338	1,651
3,283	3,283	4,150	3,287	4,018
313	313	225	225	202
1,964	1,964	1,600	1,600	713
78	78	84	84	86
NA	NA	NA	NA	NA
2,630	NA	NA	NA	NA
793	NA	NA	NA	NA
7,200	6,662	6,662	6,566	6,433
4	3	3	3	3
10	10	10	10	12
7,046	6,546	6,546	6,089	6,089
2	2	2	2	2
10	6	6	6	9
10,441	10,105	9,884	9,308	9,308
NA	NA	NA	NA	NA
NA	NA	NA	NA	NA
161	161	161	NA	NA

**CITY OF ASHLAND, OREGON
CAPITAL ASSETS AND INFRASTRUCTURE
STATISTICS BY FUNCTION/PROGRAM
Last Ten Years**

Function/Program	2006	2005	2004	2003	2002
Police					
Stations	1	1	1	1	1
Patrol Units	8	8	8	6	6
Sworn Officers	27	27	30	29	29
Fire					
Stations	2	2	2	2	2
Fire Fighters	31	31	31	27	28
Streets					
Miles of Paved Streets	100	100	97	97	78
Miles of Gravel Streets	14	14	17	19	20
Miles of Storm Sewers	110	84	76	55	60
Water					
Miles of Water Mains	124	124	121	115	94
Hydrants	1,142	1,131	1,069	1,000	987
Sewer					
Miles of Sanitary Sewers	110	108	106	106	86
Treatment Plant	1	1	1	1	1

1 Identifies implementation of GIS system

**CITY OF ASHLAND, OREGON
CAPITAL ASSETS AND INFRASTRUCTURE
STATISTICS BY FUNCTION/PROGRAM
Last Ten Years (continued)**

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
1	1	1	1	1
6	6	6	6	6
26	26	26	26	28
2	2	2	2	2
24	24	24	24	23
81	78	78	78	76
7	5	5	5	7
55	14	14	14	14
90	55	55	55	53
972	875	875	875	855
88	86	86	86	85
1	1	1	1	1

**CITY OF ASHLAND, OREGON
CAPITAL ASSETS AND INFRASTRUCTURE
STATISTICS BY FUNCTION/PROGRAM
Last Ten Years (continued)**

Function/Program	2006	2005	2004	2003	2002
Electric					
Street Lights	1,771	1,707	1,338	1,283	1,276
Electrical Transformers	1,973	1,943	1,851	1,815	2,030
Poles	2,559	3,501	2,511	2,501	2,501
Substations	3	3	3	3	3
Telecommunications					
Miles of Fiber	29	25	25	35	30
Miles of Coax	110	117	117	117	120
Parks and Recreation					
Community Centers	3	3	3	3	3
Parks	19	19	19	19	19
Park Acreage	640	637	637	637	637
Golf Courses	1	1	1	1	1
Swimming Pools	1	1	1	1	1
Ice Skating Rinks	1	1	1	1	1
Skateboard Parks	1	1	1	1	1
Tennis Courts	12	12	12	12	12
Trails (miles)	29	29	29	NA	NA
Health Care					
Hospital	1	1	1	1	1
Hospital Beds	49	49	49	49	49
Education					
Elementary Schools	3	3	4	5	5
Elementary School Instructors	59	61	58	69	93
Secondary Schools	2	2	2	2	2
Secondary School Instructors	106	106	90	102	116
State Universities	1	1	1	1	1

**CITY OF ASHLAND, OREGON
CAPITAL ASSETS AND INFRASTRUCTURE
STATISTICS BY FUNCTION/PROGRAM
Last Ten Years (continued)**

2001	2000	1999	1998	1997
1,895	1,895	1,872	1,872	1,872
1,864	1,864	1,824	1,824	1,824
2,742	2,742	2,734	2,734	2,734
3	3	3	3	3
10	10	10	NA	NA
120	120	90	NA	NA
3	3	3	3	3
19	17	17	17	17
637	535	535	535	535
1	1	1	1	1
1	1	1	1	1
1	1	1	NA	NA
1	NA	NA	NA	NA
12	12	12	12	12
NA	NA	NA	NA	NA
1	1	1	1	1
49	49	49	49	49
5	5	5	5	5
93	93	93	93	93
2	2	2	2	2
116	116	116	116	116
1	1	1	1	1



AUDIT COMMENTS
AND
DISCLOSURES REQUIRED BY STATE REGULATIONS



Oregon Administrative Rules 162-10-050 through 162-10-320, the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required financial statements and schedules are set forth in preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth following.



PAULY, ROGERS AND CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

- 12700 S.W. 72nd Avenue • Tigard, Oregon 97223
- PHONE (503) 620-2632 • FAX (503) 684-7523

October 27, 2006

2005-2006 AUDITORS' COMMENTS AND DISCLOSURES

Oregon Administrative Rules 162-10-000 through 162-16-000 the Minimum Standards for Audits of Oregon Municipal Corporations enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding pages of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows:

REPORT ON INTERNAL ACCOUNTING CONTROL

We have audited the basic financial statements of the City of Ashland, Jackson County, Oregon, for the year ended June 30, 2006 and have issued our report thereon dated October 27, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

The management of the City of Ashland, Jackson County, Oregon, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In planning and performing our audit of the basic financial statements of the City of Ashland, Jackson County, Oregon, for the year ended June 30, 2006, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants.

2005-2006 AUDITORS' COMMENTS AND DISCLOSURES

REPORT ON INTERNAL ACCOUNTING CONTROL (CONTINUED)

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We have issued a report on reportable conditions dated October 27, 2006.

These factors were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the 2006 basic financial statements, and this report does not affect our report on the basic financial statements dated October 27, 2006.

This report is intended solely for the information and use of the council, audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ACCOUNTING RECORDS

The City's accounting records were adequate for audit.

BUDGET TRANSACTIONS

Expenditures of the various funds appeared to be within authorized appropriations.

2005-2006 and 2006-2007 BUDGETS

The budgets adopted by the City for the current and ensuing fiscal year were examined during the audit. Based on our testing, it was determined that budget preparation and adoption procedures followed by the City were in compliance with the Oregon Local Budget Law.

STATE HIGHWAY FUNDS

The City's compliance with requirements of Article IX, Section 3a of the Oregon Constitution and ORS 294 and 373 was reviewed, and based upon our testing, were found to comply with the restrictions on the use of revenue from taxes on motor vehicle use and fuel.

COLLATERAL SECURING BANK DEPOSITS

The City's deposits appeared to be adequately covered by federal depository insurance or certificates of participation at all times during 2005-2006, based upon our testing. Deposits in the State Local Government Investment Pool are not required to be collateralized.

2005-2006 AUDITORS' COMMENTS AND DISCLOSURES

INVESTMENTS

The City's investments for the year ending June 30, 2006, were reviewed and, based upon our testing, appeared to comply with the legal requirements pertaining to the investment of public funds contained in ORS 294.035.

PUBLIC CONTRACTS AND PURCHASING

The City's procedures for awarding public contracts were reviewed, and based upon our testing, we found no instances of non-compliance with ORS Chapter 279 during 2005-2006.

INSURANCE AND FIDELITY BONDS

We are not aware of any failure to comply with legal requirements relating to insurance and fidelity bonds, however, we are not competent by training and experience to comment on the adequacy of insurance coverage. We recommend the City consult appropriate advisers related to these issues.

STATUTORY BONDED DEBT LIMITATION

The City's bonded debt outstanding appeared to be within the limitation established by Oregon Law.

OUTSTANDING WARRANTS

The City did not have any endorsed warrants outstanding at June 30, 2006.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state grant programs. Our reports concerning grant compliance and a schedule of expenditures of federal awards are contained in this report in the grant compliance review section.



PAULY, ROGERS AND CO., P.C.

**GOVERNMENT AUDITING STANDARDS
COMPLIANCE REPORTS**



CITY OF ASHLAND
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
For the year ended June 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Disburse- ments/ Expenditures</u>
U.S. Department of Housing and Urban Development Community Development Block Grant Program 07-01-2005 to 12-31-2006	14.218	B94MC410008	\$ 237,500	\$ 141,500
U.S. Department of Energy Passed through Bonneville Power Administration 10-01-2004 to 09-30-2005	81.041		100,000	42,657
10-01-2005 to 09-30-2006	81.041		100,000	43,230
U.S. Forest Service National Fire Plan Program 09-01-2004 to 09-01-2009	10.672	2004-DG- 11062764-003	250,000	68,735
Federal Emergency Management Agency Passed through State of Oregon Office of Emergency Management 10-01-2004 to 09-30-2005	83.565		12,370	12,370
10-01-2005 to 09-30-2006	83.565		12,370	12,341
Local Law Enforcement Block Grant Passed through State of Oregon Office of Homeland Security Criminal Justice Services Division 07-01-2005 to 06-30-2006	16.592	04-401	2,828	2,828
U.S. Department of Agriculture Passed through State of Oregon Dept of Forestry 10-01-2004 to 09-30-2005	15.228	ONFP04-004	250,000	18,303
01-01-2004 to 12-31-2005	15.228	449920-01	33,000	29,570
01-01-2005 to 12-31-2006	15.228	449920-01	15,000	15,000
U.S. Department of Homeland Security Secure Schools and Community Self-Determination Act Passed through Jackson County Title III 10-01-2004 to 09-30-2005	97.017	SD00052	40,000	30,000
10-01-2005 to 09-30-2006	97.017	1826	10,000	6,618
Federal Aviation Administration Passed through Oregon Dept of Aviation 07-01-2005 to 06-30-2006	20.106	3-41-4100-10	109,000	109,000
Total Federal Assistance			<u>\$ 1,172,068</u>	<u>\$ 532,152</u>



CITY OF ASHLAND, OREGON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2006

Note A - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ashland, Oregon and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Loans Outstanding

The City of Ashland, Oregon had the following loan balances outstanding at June 30, 2006. Current year draw downs and related expenditures are included in the federal expenditures presented in this schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
EPA/DEQ State Revolving Fund Loan Program	66.458	<u>\$ 20,702,256</u>

Note C - Subrecipients

Of the federal expenditures presented in the schedule, the City of Ashland, Oregon provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.218	<u>\$ 94,000</u>





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CERTIFIED PUBLIC ACCOUNTANTS

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October 27, 2006

To the City Council
City of Ashland
Jackson County, Oregon

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the basic financial statements of City of Ashland, Jackson County, Oregon, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether City of Ashland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

In planning and performing our audit, we considered City of Ashland's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of the City Council, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Pauly, Rogers and Co., P.C.

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October 27, 2006

To the City Council
City of Ashland
Jackson County, Oregon

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE WITH OMB
CIRCULAR A-133**

We have audited the compliance of City of Ashland's, Jackson County, Oregon, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. City of Ashland's major federal programs are identified in the accompanying schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Ashland's management. Our responsibility is to express an opinion on City of Ashland's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Ashland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Ashland's compliance with those requirements.

In our opinion, City of Ashland, Jackson County, Oregon, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

The management of City of Ashland, Jackson County, Oregon, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Ashland's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the City Council, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



PAULY, ROGERS AND CO., P.C.

CITY OF ASHLAND
SCHEDULE OF PRIOR AND CURRENT YEAR AUDIT FINDINGS,
QUESTIONED COSTS, AND NOTES RELATIVE TO FEDERAL AWARDS

For the Year Ended June 30, 2006

CURRENT YEAR AUDIT FINDINGS AND QUESTIONED COSTS:

NONE

PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS:

NONE

CURRENT YEAR AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS:

UNQUALIFIED OPINION

CURRENT YEAR NONCOMPLIANCE, AUDIT FINDINGS AND QUESTIONED COSTS:

NONE

CURRENT YEAR AUDITORS' REPORT ON COMPLIANCE FOR MAJOR PROGRAMS:

UNQUALIFIED OPINION

PROGRAM TESTED AS MAJOR FOR THE YEAR ENDED JUNE 30, 2006:

CDBG – CFDA # 14.218

DOLLAR THRESHOLD FOR DISTINGUISHING BETWEEN TYPE A AND B PROGRAMS:

\$300,000

LOW-RISK AUDIT QUALIFICATION:

The City qualified as a low-risk auditee under section .530. of OMB Circular A-133.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ashland and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.